



The engineers revolt
From the Volvo-Renault merger came unstuck
Inside story, Page 10



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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY DECEMBER 6 1993

B8523A

Goldman Sachs partners to receive \$5m payout each

Partners of Goldman Sachs, US-based global investment bank, will all receive a minimum profit share of \$5m this year, according to a bank insider. The profit shares - which are added to each partner's capital account at the firm and can only be withdrawn at retirement - reflect the leap in Goldman's profitability this year.

The Canadian Bond Rating Service estimates the bank made \$2.3bn pre-tax profit in the first three quarters of 1993, up from just \$940m the year before. Even the most junior of the bank's 161 partners will receive \$5m, while the more senior will receive far more. **Page 15**

US to seek bribes ban: The US is to demand at a Paris meeting of the OECD that other industrial countries outlaw bribery of foreign officials, in spite of fears the move could delay the adoption of international standards. **Page 3**

Credito Italiano share discount: The Italian government is to offer a big discount on the shares of Credito Italiano, the country's seventh-largest bank, at the start of its two-year programme of privatising industrial and financial assets. **Page 15**

First Hubble spacewalk succeeds: US astronauts successfully completed the first of five spacewalks planned to repair the Hubble telescope. The mission is viewed as critical both to restore public support for the National Aeronautics and Space Administration and to prove astronauts can do the type of work needed to assemble a planned space station. **Picture, Page 3**

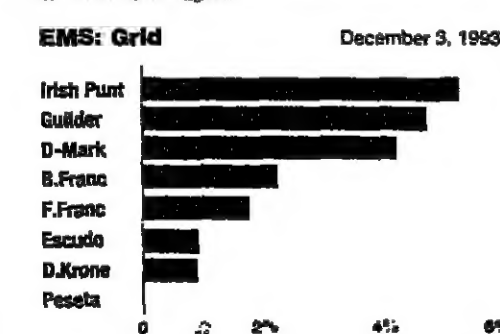
Russia's privatisation hopes: Russia's privatisation supporters are pressing ahead with plans to sell off big companies, in spite of next week's parliamentary elections, and hope to place 80 per cent of Russia's industrial capacity in private hands by July. **Page 2**

Buthelez may stand down: Chief Mangosuthu Buthelez, leader of the Inkatha Freedom party and chief rival of the African National Congress, is considering retirement as South Africa's constitution is due to go to parliament for approval. **Page 4**

EC approves spending plan: The European Commission approved spending nearly Ecu5124bn (\$135) on public works over the next six years, including a new plan for "Brussels bonds" to help finance the projects. Commission president Jacques Delors will present the plans to the European summit on Friday. **Page 14**; Delors unlikely to have last word. **Page 2**; Be prepared and be armed. **Page 12**; Editorial Comment. **Page 13**

Ulster peace deal on course: Britain rejected suggestions that it agreed to compromise on the Irish claim to Northern Ireland as the two governments offered reassurances to Ulster unionists in an attempt to keep peace talks on course. **Page 6**

European Monetary System: A round of interest rate cuts last week in Europe weakened the D-Mark as traders bought currencies with lower interest rates and better growth prospects. On Thursday the Bundesbank prompted cuts averaging a quarter of a percentage point in Belgium, the Netherlands, Spain and France by easing its repurchase rate by 25 basis points to 6 per cent, but leaving its main discount and Lombard rates unchanged. The French franc was also boosted by progress in world trade talks but closed the week off its highs.



BT anger at European rules: British Telecommunications will use an alliance between the French and German state telecommunications operators, due to be announced tomorrow, to campaign for the dismantling of barriers impeding telecommunications competition in Europe. **Page 16**

Asian environment protection: The World Bank has challenged the belief in rapidly growing Asian economies that prosperity must be assured before environmental issues can be tackled. **Page 5**

Channel Tunnel hitches: The prototype of the Eurostar, due to ply the 76-mile route between London and the Channel Tunnel at Folkestone, is unable to cope with gaps in the third rail next to the tracks. British Rail said. **Page 14**

Trams on 42nd Street: New York has started public consultations on a \$75m city regeneration scheme which could see a return to 42nd Street of the trams that disappeared half a century ago. **Page 14**

European film awards: Uge, directed by Russian Nikita Mikhalkov, was named film of the year at the European Film Academy's Felix awards in Berlin. *Orlando*, directed by Britain's Sally Potter, was chosen as the young European film of the year.

Austria	Stk33	Grave	2100	Lux	LF45	Qatar	QPR120
Bahrain	Qnt120	Hong Kong	HS373	Mexico	LM60	Saudi	SR11
Belgium	BF65	Munich	R118	Morocco	MCN13	Singapore	SGA10
Bulgaria	LC300	Ireland	R215	Neth	R175	Switzerland	SLA15
Cyprus	CL100	India	P45	Nigeria	NAR45	Taiwan	TAI100
Czech Rep	CZV15	Israel	ISL30	Norway	NOR160	Sweden	SVK15
Denmark	DKV15	Italy	L700	Spain	SPR15	Switzerland	SVK15
Egypt	EGV15	Japan	Y200	Finland	FIN15	Syria	SYR15
France	FRV12	Jordan	JOR15	Philippines	PHI15	Turkey	TRV15
Germany	GMV120	Kuwait	KUW15	Poland	POL15	UAE	UAE15
Greece	GRV15	Latvia	LVN15	Portugal	PRV15	UAE	UAE15

US deal paves way for trade pact

By David Dodwell in Geneva and David Buchanan in Paris

A US compromise on the controversial Blair House accord limiting Europe's exports of subsidised farm goods has paved the way for an agreement expected today with the European Union on trade reform.

The agreement will put pressure on France to accept the accord, finally bringing to a head the political crisis in Paris over the Gatt world trade talks.

Mr Edouard Balladur, French prime minister, will this morning hold a special cabinet meeting to decide France's position on the draft Gatt agreement, which is

French cabinet meets as pressure mounts for Gatt accord

expected to be presented to EU ministers later in the day.

The US compromise on Blair House allows for a more gentle phasing in of the timetable for cutting subsidised EU farm exports by 21 per cent over six years. In what is likely to be seen as a significant climbdown, the US has agreed to exempt the existing EU grain mountain of about 25m tonnes.

The US concessions will allow Europe to export an additional 8m tonnes of grain a year. France, Europe's largest farm

exporter will be the main beneficiary of the switch.

After being briefed in Paris yesterday by Sir Leon Brittan, the chief European negotiator, and by Mr Peter Sutherland, director general of Gatt, Mr Balladur still warned against "the excessive optimism which has reigned in recent days and hours". Progress had been made, but problems remained for France in the agricultural and audio-visual sectors, his spokesman said.

The agreement was endorsed in principle in Brussels last week by

Sir Leon and Mr Mickey Kantor, US Trade Representative. Mr Kantor will return to Brussels today after weekend consultations in Washington with President Bill Clinton. Sir Leon's meeting with Mr Balladur, aimed at clearing the way for a deal to be announced, followed the commissioner's talks on Friday with Germany's Chancellor Helmut Kohl.

The impression that France's political crisis over Gatt is finally coming to a head was reinforced by Mr Balladur's decision to call

before he could give France's approval to any Gatt package.

But Mr Gérard Longuet, France's more pro-Gatt trade minister and industry minister, suggested France was ready for compromise in the key area of agriculture.

European negotiators expect to pay a price elsewhere in the Uruguay round for winning concessions on Blair House. They are expected to reveal this week that tariffs protecting wood and paper products will be cut to zero, while tariffs protecting semiconductors and non-ferrous metals will be pared back.

Paris hints at farm deal. **Page 3**

PLO rift delays progress at Cairo talks

By Julian O'Zanne in Jerusalem

Israel and the Palestine Liberation Organisation resumed talks in Cairo yesterday amid a growing PLO leadership rift and recognition that the start of Israel's military withdrawal from Gaza and Jericho will be delayed.

The crisis in the PLO's upper ranks deepened after Mr Mahmoud Abbas (also known as Abu Mazen), the man who signed the Israeli-Palestinian peace accord in Washington, refused to participate in a newly-formed PLO committee set up to defuse criticism of Mr Yasser Arafat's handling of the peace talks.

With only seven days left before Israel and the PLO were supposed, under the terms of the peace accord, to sign a protocol marking the start of a four-month troop withdrawal, the two sides remain deeply divided on a complex set of issues.

The talks, being held at a secret location in Cairo, have yet to agree the size of the Jericho area, who should control the border crossings between Jericho and Jordan, and between Gaza and Egypt, the extent of the troop withdrawal, security arrangements for Israeli settlers, and the timetable for releases of up to 10,000 Palestinian prisoners being held by Israel.

The PLO has until now insisted on keeping the December 13 deadline, being under pressure to deliver results to increasingly sceptical Palestinians. But there were signs yesterday that it was prepared to accept a two-week delay.

Mr Nabil Shaath, the chief PLO negotiator, said the organisation was sparing no effort to finish on time despite recent comments by Mr Yitzhak Rabin, Israeli prime minister, suggesting the need for a delay. But Mr Shaath accepted that Israeli reservations about the progress in the talks might force a delay.

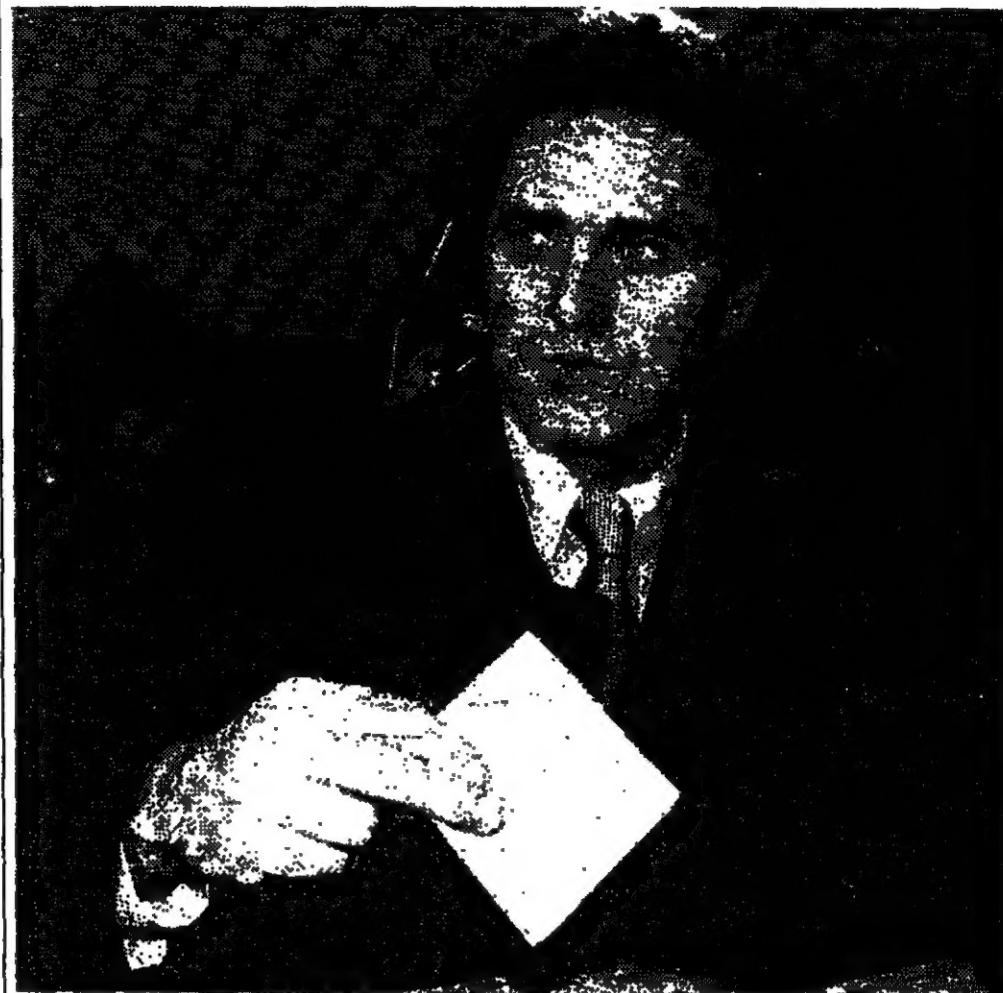
In Amman PLO officials said Mr Arafat, PLO Chairman, had told the central committee of his Fatah faction that he was reluctantly prepared for a two-week delay in the face of Israeli intransigence on key issues.

The delay will further deepen the PLO leadership crisis. Criticism of Mr Arafat's handling of the peace negotiations has solidified around three senior PLO officials - Mr Abbas, Mr Yasser Abed Rabbo and Mr Suleiman Najib. All three are members of the 12-strong PLO executive committee and have been among the most important voices for peace and moderation within the PLO.

Mr Ahmed Qurei (Abu Ala), the PLO's chief economics negotiator, is also said to have supported the campaign to force Mr Arafat to democratise the PLO.

In a move to quell the criticism, Mr Arafat had asked Mr Abbas to head a PLO committee to direct detailed peace talks with Israel. But Mr Abbas refused the appointment and said he would have nothing to do with the committee.

Italians vote in city council polls



Francesco Rutelli, the left-wing candidate in the election for the mayor of Rome, casts his vote. Mr Rutelli, a Green party politician, is battling against Gianfranco Fini, the leader of the neo-fascist MSI, in a second round of voting.

An estimated 8.3m Italians were able to vote in yesterday's elections to choose 129 city councils. But all eyes were on Naples and Rome where the MSI emerged as the single biggest party in first round voting.

Gyll explains events behind 'palace coup'

Volvo chief admits fear he may have been shooting himself in the head

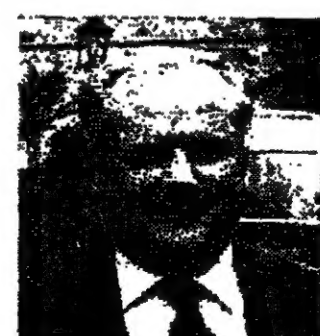
By Hugh Carnegie in Gothenburg

Mr Soren Gyll, the chief executive of Volvo, was attracted to the company by Mr Pehr Gyllenhammar, the chairman for 20 years. Yesterday Mr Gyll retraced the steps he took last week to lead a management revolt that doomed Volvo's ambitious plan to merge with France's Renault.

Mr Gyll in an interview with the Financial Times said: "This is the worst decision I have ever been involved in. It is a serious one, of course, but I was prepared to take the responsibility."

The days leading up to Thursday's significant Volvo board meeting were fraught. Mr Gyll decided a week ago that shareholder pressure meant the controversial merger with Renault was unlikely to succeed.

On Tuesday night senior managers gathered at Mr Gyll's home. After discussion the managers from Volvo's car and truck divisions agreed the merger should not proceed. The following day 25 managers signed a letter asking Mr Gyll to recommend the board drop the merger plan. That day when Mr Gyll returned from the US, Mr Gyll met him in private. He



Gyll: opposed to merger deal

told him that the senior management opposed the deal, which he believed was unlikely to be approved by shareholders.

The following morning Mr Gyll warned his wife: "This could be my last board meeting."

"I didn't know when I went into the board meeting what the outcome would be. They could have fired me. I could have been shooting myself in the head."

Mr Gyll reiterated his desire to continue a three-year old alliance with Renault, saying joint projects could still be constructed on a 50-50 basis.

Gyll interview, **Page 17**

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مكتبة الامير

NEWS: INTERNATIONAL

Delors unlikely to have the last word on EU jobs

Lionel Barber on influences shaping the Commission president's prescriptions for a post-industrial Europe

EU
THE FIRST
SUMMIT
Brussels 1993

When Mr Jacques Delors presents his White Paper on employment, growth and competitiveness to this week's EU summit in Brussels, many will view the occasion as the last hurrah for the president of the European Commission.

That the 12 heads of government are ready to put their faith in Mr Delors is a testimony to his reputation as the man with the long-term vision; but it also reflects a certain desperation in the face of mass unemployment.

Next year, the number of people out of work in the European Union is forecast to rise to more than 15m, the equivalent of the combined populations of Belgium, Denmark and Ireland. No one expects Mr Delors to produce a miracle

cure; but some wonder whether his White Paper will produce the prescriptions to tackle Europe's low growth, rising unemployment and failure to create jobs.

The answer goes to the heart of what might be called the debate over the future economic philosophy of the European Union. This debate pits the Anglo-Saxon model of labour market deregulation, wage restraint, and curbs on trade union power, against the more consensual model of social partnership which has underpinned the post-second world war economic order on the continent in Europe, but which is now under strain.

Early drafts of the White Paper have sent ambiguous signals about how far Mr Delors is prepared to compromise on the social policies he has championed, which were embodied in the Maastricht treaty. Broadly speaking, it is possible however to pick out a

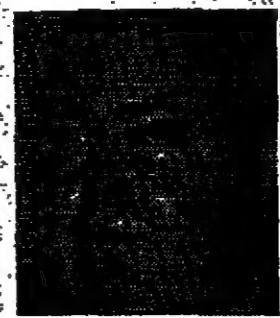
The three-cornered employment debate



Mr Activist
Padraig Flynn
Commissioner for Social Affairs



Mr New Society
Jacques Delors
President of the Commission



Mr Orthodox
Henning Christophersen
Commissioner for the Economy

few trends, starting within the Commission which endorsed the final version in a special session yesterday.

The first school of thought is grouped inside Directorate General Two, headed by Mr

Henning Christophersen, the Danish commissioner responsible for economics. A former finance minister, Mr Christophersen is Mr Orthodox. He stands for price stability, strict control on public finances; and

an average increase in real wages of one percentage point a year less than the rise in productivity. This is about as near as DG-2 felt it could go in supporting the notion of pricing people into work.

The second, activist, school is located inside Directorate General Five, headed by Mr Padraig Flynn, the Irish commissioner responsible for social affairs and employment. Though Mr Flynn arrived in Brussels a year ago with something of a conservative reputation, he has quickly absorbed DG-5's social democratic agenda. This stresses the preservation of labour market regulation and minimum wages, as well as the recent endorsement of work-sharing as a source of new jobs, possibly supported by fiscal incentives.

Mr Delors' own views are an intriguing cocktail. In one breath, he will speak of 40m people in poverty in Europe and rail against the "politics of exclusion". Minutes later, he will remind visitors that, as a former French finance minister, he remains more popular among Christian Democrats than among members of his own Socialist party.

Mr Delors retains an almost blind faith in new technology as a means of restoring Europe's competitiveness. The White Book will therefore contain images of a New Europe linked together through U.S.-style "information highways", massive investment in roads, rail and telecommunications, and a shift of funds away from consumption into research and development.

Mr Delors' message is that a new post-industrial age has arrived in Europe. Thus, in 15 years, the number of non-active people will be high relative to the number in work; much more flexible working patterns will be commonplace; the right to permanent retraining should be universal. But he remains an optimist. As he told members of the European Parliament last week, the essential element in tackling the competitiveness crisis is not the cost of labour but the capacity to master technical change.

Senior Commission officials agree, but some fret that Mr Delors risks blurring the question of labour market flexibility as the prerequisite for job creation. This is not just a result of his own political leanings, but arises also from the political constraints in the member states such as Belgium, France, Germany, Italy and Spain, all of which face serious trade union unrest this winter. "The single biggest weakness in the White Book will be the lack of a coherent message," predicts one official.

In fairness, Mr Delors will reply that the political weakness of the Commission means it has no option but to offer a menu of prescriptions. It has no intention of putting forward Brussels-led legislation; member states must pick what is best suited to national needs.

As such the White Paper is a work of transition; it is the last rather than the last word in the debate.

Dehaene urges EU stance on problems

By Andrew Hill in Brussels

A strong, common European approach is the only way to tackle the EU's problems of unemployment, lack of industrial competitiveness and sluggish growth, the Belgian prime minister said yesterday.

Mr Jean-Luc Dehaene, who will chair Friday's summit of EU leaders in Brussels, warned member states against calling into question the value of such an approach at the time when it was most needed.

"We have built up Europe, we have agreed the Maastricht treaty, and we are part of a European Union: that's what we now have to use to face up to these common problems," he said on Belgian television.

Belgium, which holds the EU presidency, is likely to press for a co-ordinated approach to the economic crisis, citing as an example its own strict austerity plan.

"When there's a crisis, there's always a temptation to resolve the crisis by a form of protectionism... There's always a sort of 'me first' reflex. That's the wrong approach: when we're all in the same situation we will only get out of it together," said Mr Dehaene yesterday.

Be prepared, Page 12

Fall in German manufacturing 'bottoms out'

By Quentin Peel in Bonn

The slump in production of Germany's manufacturing industry has bottomed out and most sectors can expect some recovery in the coming year, according to the Ifo economic research institute, based at Munich.

Export orders, especially from China and south-east Asia, but also from the US and eastern Europe, have already helped to stabilise output levels in the hard-hit engineering, iron and steel industries, according to Ifo's latest monthly report.

Hopes for a hesitant recovery cannot disguise the sharpness of the downturn, which has sent manufacturing production down 7.5 per cent in 1993, after a drop of 2 per cent in 1992 - overall, a drop of about one-tenth in output since the peak of mid-1991.

Engineering production has fallen by 10 per cent in the past year alone and investment goods manufacturers have seen a loss of 15 per cent.

The slump in the motor vehicle industry has been the most notable: passenger car and light commercial vehicles have dropped 22 per cent, while heavier truck production was down 36 per cent just

between January and September.

However, Ifo researchers are relatively optimistic about the coming year, thanks to an improvement in industrial orders, especially for export, and to an end to the deeply pessimistic mood which has coloured all its surveys of business opinion for the past two years.

"The pessimistic tone, which has dominated business expectations for a long time, has almost vanished," the report noted.

The Ifo report does not expect a big improvement in output in 1994 overall, but a stabilisation which implies a significant increase in manufacturing in the course of the year.

The institute expects a 2 per cent production increase in the chemical sector during 1994, after a reduction of 2 to 3 per cent this year, and a similar improvement for raw materials and production goods manufacturers.

Ifo expects a 4 per cent recovery for the motor industry but overall zero growth for engineering, and for electrical engineering, although manufacturing industry as a whole is forecast to rise 1 per cent next year.

Russians confident of rapid privatisation

By Leyla Boulton in Moscow

Proponents of privatisation have dismissed the possibility of interference from Russia's parliament, which is due to be elected next week, and are pressing ahead with plans to sell off major companies. The intention is to place 80 per cent of Russia's industrial capacity in private hands by next July.

Mr Dmitry Vasiliev, deputy privatisation minister, has said that large enterprises being prepared for partial flotation include Gazprom, the state gas-producing monopoly.

Although the state would retain control of the enterprise, 20 per cent of shares would be offered to the public through vouchers.

Mr Vasiliev was confident that the State Property Committee, responsible for the world's biggest and fastest privatisation campaign, would reach its 80 per cent target by July 1, the deadline for the use of privatisation vouchers.

After that, state property would be sold for money only.

"The next three months will be crucial," he said in a recent interview.

"Parliament won't be up to speed on privatisation in the first few months of its existence. We have to use this time to sell as much as we can and work as hard as we can."

One area the property committee would enter for the first time is banking, with plans to sell the state's remaining stakes in large banks, such as

Promstrobank, which used to finance the whole of Soviet industry, and Rosselkhozbank, which still finances much of Russian agriculture.

It also planned to give commercial banks the opportunity to buy premises they have leased from the central bank.

Parties competing in the election next Sunday have attacked privatisation as insensitive to the needs of individual sectors and companies.

In the next few months, the property committee expects progress in two crucial areas: building a secondary market for share-trading, and helping managers of privatised enterprises behave in a more market-oriented way.

A newly-created Securities and Exchange Commission, on which Mr Vasiliev sits, is working on a system for independent share registries, which would make it possible, say, for a worker in Vladivostok to sell shares to an entrepreneur in Moscow.

At present, the only way to validate a share transaction is to go directly to the privatised company for a change in its register, which it may refuse if it does not like the new owner.

A year from now, said Mr Vasiliev, Russia would be ready for secondary trading on stock exchanges.

To help privatised companies, the state would provide business instruction for factory directors.

Mr Vasiliev said this would include organising "schools" on a sectoral basis. Business experts would be invited, for instance, to a major chemical plant to work directly with its managers, while directors of other chemical plants attend.

Directors would then have to devise business plans of their own, and the best investment strategies would qualify for financial support, including funds from a \$3bn package promised by the Group of Seven industrial nations.

Although Mr Vasiliev said

that foreign investment had been sluggish, increasing numbers of foreign buyers had emerged after share purchases by workers and staff. "Privatisation has provided concrete owners with whom investors can negotiate," he said.

Mr Vasiliev added that 10 per cent of shares, or about \$300m worth, which had been made available since January 1993 when the privatisation of large-scale enterprises was launched, had since been acquired by foreigners. "This is less than, say, Hungary," he said, acknowledging the difficulties of Russia's business environment.

But he said promises of further investment were greater, amounting to \$2bn in the St Petersburg region alone.



"Russia's future depends on your choice" says this election poster in the Moscow square

Bosnia's warring parties face second hard winter

By Laura Silber in Belgrade

Bosnia's three warring parties are poised to fight a second winter of war with all sides firm in the belief that time is on their side, despite evidence to the contrary.

Muslim leaders are hoping that United Nations sanctions, imposed on Belgrade 19 months ago, will bite even harder in the coming months, forcing the Bosnian Serbs to make concessions.

In contrast Serb leaders hold faith that when Greece takes over the European Union presidency in January, sanctions will be lifted whether or not Serbia has handed over land to

the mostly Moslem state.

For their part, Croats plan to recover some of the territory in central Bosnia seized by their Moslem rivals over the past months.

With no tangible signs of a settlement, the international community can only hope that economic deprivation will curb the territorial ambitions of Serb and Croat nationalists and force them to show flexibility.

But this is a faint hope. At last week's Geneva talks on the division of Bosnia into three ethnically based republics, Serb, Croat and Moslem leaders gained no ground towards ending the 20-month

Bosnian conflict.

Serb leaders ignored EU demands to hand over 3 to 4 per cent of territory to the mostly Moslem republic in exchange for the easing of sanctions on Serb-led Yugoslavia.

They are loathe to cede any land in eastern Bosnia, because this would be tantamount to giving up Greater Serbia. The "state", carved out over the past three years by Serb forces in Bosnia and Croatia, would be cut in two.

The Bosnian government, on the other hand, is hard-pressed to abandon claims on eastern Bosnia, which was mostly Moslem before the war.

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenplatz 3,
60311 Frankfurt am Main, Germany.
Telephone: 069 596481. Telex: 416193.
Represented by Edward Hugo, Managing Director.
Printer: DVM Druck-Vertrieb
Marketing GmbH, Admira-Rheinstraße
34, 62523 Neu-Isenburg (owned
by Hürup International).
Responsible Editor: Richard Lambert,
c/o The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL, UK. Shareholders of the
Financial Times (Europe) GmbH are
London and F.T. (Germany) Advertising
Ltd, London. Shareholder of the
above mentioned two companies is The
Financial Times Limited, Number One
Southwark Bridge, London SE1 9HL.
The Company is incorporated under the
laws of England and Wales. Chairman:
D.C.M. Bell.

FRANCE
Publishing Director: J. Roday, 166 Rue
de Rivoli, F-75004 Paris Cedex 01. Tele-
phone: (01) 4297-0621. Fax: (01)
4297-0629. Printer: S.A. Nord Editeur,
1521 Rue de Caen, F-91000 Roissy
CDG. Editor: Richard Lambert.
ISSN: 1148-2753. Commission
Paritaire No 678605.

DENMARK
Financial Times (Scandinavia) Ltd,
Vimmelskådet 42A, DK-1161 Copen-
hagen K. Telephone: 33 14 44. Fax: 33
93 35 35.

LEGAL NOTICES

RMCA REINSURANCE LIMITED
(Incorporated in the Republic of Singapore)

NOTICE OF CREDITORS' MEETINGS
IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE (ORIGINATING SUIT NO 1018 OF 1993)

IN THE MATTER OF
RMCA REINSURANCE LIMITED

AND

IN THE MATTER OF SECTION 210 OF THE SINGAPORE COMPANIES ACT

AND

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES. NO 68941 OF 1993
CHANCERY DIVISION

IN THE MATTER OF
RMCA REINSURANCE LIMITED

AND

IN THE MATTER OF SECTION 425 OF THE COMPANIES ACT OF ENGLAND AND WALES

NOTICE IS HEREBY GIVEN that by Order dated 13 and 15 October 1993 respectively made in the above matters in the High Court of the Republic of Singapore and the High Court of Justice of England and Wales (hereinafter called "the Courts"), the Courts have directed that the following separate meetings of the Scheme Creditors (as defined in the Scheme) shall be held on the dates and at the times and places specified below for the purpose of considering, and if thought fit approving or dissenting from, the Scheme ("the Scheme") proposed to be made between RMCA Reinsurance Limited (hereinafter called "the Company") and the Scheme Creditors (hereinafter called "the Creditors").

1. The Scheme Creditors of the Singapore Insurance Fund of the Company.

2. The Scheme Creditors with Singaporean Preferential Claims of the Company.

3. The Scheme Creditors of the Offshore Insurance Fund of the Company.

Such meetings will be held as follows:

1. In the case of Scheme Creditors of the Singapore Insurance Fund and Scheme Creditors with Singaporean Preferential Claims of the Company: The Function Room, 137 Cecil Street, 915-001 ICSS Building, Singapore 06950 on 10 December 1993.

2. In the case of Scheme Creditors of the Offshore Insurance Fund of the Company at 11.00am or as soon thereafter as the Scheme Creditors of the Offshore Insurance Fund Meeting has been concluded.

3. In the case of the Scheme Creditors of the Offshore Insurance Fund at The Great Hall, Chancery Lane Insurance Institute, 27 Abchurch Lane, London EC4N 3DF, U.K. on 14 December 1993 at 11.00am or as soon as the Meeting of Scheme Creditors of RMCA Reinsurance Limited is concluded.

Each Scheme Creditor may vote, in person at the relevant Meeting or they may appoint another person (whether a Scheme Creditor or not, as they may see fit) to attend and vote in their place.

It is requested that the forms appointing proxies be lodged with the Secretary of the Company at its registered office situated at 137 Cecil Street, Singapore 06950, not less than 7 days before the time appointed for the relevant Meeting.

A copy of the said Scheme of Arrangement, the statement required to be forwarded pursuant to Section 211 of the Singapore Companies Act and Section 425 of the English Companies Act, notice calling for this meeting, form of proxy and other documents can be obtained from the registered office of the Company and at the offices of its solicitors listed below. The Company has placed a set of these documents in all its known creditors at their last known address. If you are or may be a creditor of the Company and have not received the above mentioned documents by now you are requested to inform the Secretary of the Company, or writing to its registered office (see last paragraph) of your name and address and a copy of the documents will be forwarded to you.

By the said Order, the Courts have appointed Philip John Singer as (acting) Chairman, Christopher John Hughes as (acting) Secretary, and Luck San Hing as (acting) Chairman at the said Meetings and have directed the Chairman to report the results thereof to the Courts.

The Scheme will be subject to the approval of the Courts.

Dated this 6th day of December 1993.

Quenna Lee & Loh
65 Bras Basah Road
Singapore 179544

Davies Arnold Cooper
65 Bras Basah Road
Singapore 179544

ICS REINSURANCE PRIVATE LIMITED
(Incorporated in the Republic of Singapore)

NOTICE OF CREDITORS' MEETINGS
IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE (ORIGINATING SUIT NO 1018 OF 1993)

IN THE MATTER OF
ICS REINSURANCE PRIVATE LIMITED

AND

IN THE MATTER OF SECTION 210 OF THE SINGAPORE COMPANIES ACT

AND

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES. NO 68941 OF 1993
CHANCERY DIVISION

IN THE MATTER OF
ICS REINSURANCE PRIVATE LIMITED

AND

IN THE MATTER OF SECTION 425 OF THE COMPANIES ACT OF ENGLAND AND WALES

NOTICE IS HEREBY GIVEN that by Order dated 13 and 15 October 1993 respectively made in the above matters in the High Court of the Republic of Singapore and the High Court of Justice of England and Wales (hereinafter called "the Courts"), the Courts have directed that the following separate meetings of the Scheme Creditors (as defined in the Scheme) shall be held on the dates and at the times and places specified below for the purpose of considering, and if thought fit approving or dissenting from, the Scheme ("the Scheme") proposed to be made between ICS Reinsurance Private Limited (hereinafter called "the Company") and the Scheme Creditors (hereinafter called "the Creditors").

1. The Scheme Creditors of the Singapore Insurance Fund of the Company.

2. The Scheme Creditors with Singaporean Preferential Claims of the Company.

3. The Scheme Creditors of the Offshore Insurance Fund of the Company.

Such meetings will be held as follows:

1. In the case of Scheme Creditors of the Singapore Insurance Fund and Scheme Creditors with Singaporean Preferential Claims of the Company: The Function Room, 137 Cecil Street, 915-001 ICSS Building, Singapore 06950 on 10 December 1993.

2. In the case of Scheme Creditors of the Offshore Insurance Fund of the Company at 11.00am or as soon thereafter as the Scheme Creditors of the Offshore Insurance Fund Meeting has been concluded.

3. In the case of the Scheme Creditors of the Offshore Insurance Fund at The Great Hall, Chancery Lane Insurance Institute, 27 Abchurch Lane, London EC4N 3DF, U.K. on 14 December 1993 at 11.00am or as soon as the Meeting of Scheme Creditors of RMCA Reinsurance Limited is concluded.

Each Scheme Creditor may vote, in person at the relevant Meeting or they may appoint another person (whether a Scheme Creditor or not, as they may see fit) to attend and vote in their place.

It is requested that the forms appointing proxies be lodged with the Secretary of the Company at its registered office situated at 137 Cecil Street, Singapore 06950, not less than 7 days before the time appointed for the relevant Meeting.

A copy of the said Scheme of Arrangement, the statement required to be forwarded pursuant to Section 211 of the Singapore Companies Act and Section 425 of the English Companies Act, notice calling for this meeting, form of proxy and other documents can be obtained from the registered office of the Company and at the offices of its solicitors listed below. The Company has placed a set of these documents in all its known creditors at their last known address. If you are or may be a creditor of the Company and have not received the above mentioned documents by now you are requested to inform the Secretary of the Company, or writing to its registered office (see last paragraph) of your name and address and a copy of the documents will be forwarded to you.

By the said Order, the Courts have appointed Philip John Singer as (acting) Chairman, Christopher John Hughes as (acting) Secretary, and Luck San Hing as (acting) Chairman at the said Meetings and have directed the Chairman to report the results thereof to the Courts.

The Scheme will be subject to the approval of the Courts.

Dated this 6th day of December 1993.

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NEWS: INTERNATIONAL

Concessions by US sweeten Gatt pill

By David Dodwell, World Trade Editor, in Geneva



Mr Mickey Kantor, the US trade representative, last night boarded a military aircraft at Andrews Airbase and headed for his second meeting within five days with Sir Leon Brittan, Europe's trade commissioner. As he did so, details began to emerge of the US-European Union trade liberalising deal which both hope will open the way for completion of the seven-year Uruguay Round of talks on global trade reform.

At the heart of a package likely to be unveiled in Brussels today will be ambitious tariff-cutting measures, which also address European demands to amend the Blair House accord limiting EU exports of subsidised farm goods. As Europe's main farm exporter, France opposed this deal even before the ink was dry when it was signed in Washington in November last year. In what is likely to be seen as a significant climb-down, the US has agreed to:

- Exempt Europe's existing 25m-tonne cereals stockpile from the Blair House accord, which demands a 21 per cent cut in subsidised cereals exports over a six-year period.

- Switch the base year from which subsidised exports must be reined in from the 1986-89 average, to 1992. Since subsidised EU cereal exports rose from 17m tonnes during the initial base period, to over 20m tonnes in 1992, the switch greatly reduces the impact of the Blair House accord and, over the six-year life of the agreement, allows Europe (principally France) to export an additional 8m tonnes of cereals.

- Extend from six to eight years the "peace clause" under which the US would not challenge Europe's export subsidy regime.

The price paid by the EU for these US concessions includes improved market access for US pork, grains, dairy products, and "specialty crops" which include nuts, vegetables, processed turkey and almonds.

But since these are not expected to yield significant new opportunities to US exporters, EU negotiators have been forced to give ground by trimming tariffs on a number of manufactured goods. Signifi-

cantly, steel tariffs will be cut to zero even though a Multilateral Steel Agreement is unlikely; tariffs on wood, pulp and paper will also be cut to zero; semiconductor equipment is likely to have tariff protection stripped to zero, while semi-conductors themselves will retain protection averaging 3 per cent. Tariff protection for non-ferrous metals - principally aluminium - will be trimmed mainly among semi-finished goods, but not to zero.

A further concession from the US has apparently been made in shipping, where negotiators have for the first time said they are willing to include ocean shipping. Until just days ago, most negotiators expected the Uruguay Round maritime agreement to be limited to ports and port services.

When Mr Kantor arrives in Brussels this morning, he will be joined by US negotiators who have spent the past three days in Geneva wrestling with disagreements. These include Europe's demands for "cultural protection" for its film and television industries; US pressure to weaken rules on anti-dumping actions; and US calls for special treatment of financial services and taxation. None of these issues was resolved last night.

Paris hints at farm deal

By David Buchanan in Paris

France may accept the provision in the controversial Blair House accord for a 21 per cent cut in farm exports over a six-year period, provided the impact of these cuts is reduced and Paris gets guarantees from Brussels.

The possibility of such a compromise was suggested by Mr Gérard Longuet, France's trade minister, in a newspaper interview yesterday. It came as pressure mounted on France to sign up to a Gatt accord, with both Sir Leon Brittan, the chief European trade negotiator, and Mr Peter Sutherland, director general of Gatt, coming to Paris to brief Mr Edouard Balladur, prime minister, on the state of negotiations.

Mr Longuet, who is one of the more pro-Gatt ministers in the French government, told the *Journal du Dimanche*: "The Americans are now proposing technical measures so as not to hit these subsidised European exports with the brutality that was initially envisaged."

France had been seeking to subtract existing food stocks and future food aid from the volume of subsidised exports to which this 21 per cent cut would apply, as well as postponing most of the reduction to the end of the decade.

"It is easier to make progress calculating in terms of millions of tonnes of cereals exported,

or on the contrary lost, between 1995 and 2001 than to get hung up on a percentage [21 per cent] already accepted - alas - by the Brussels Commission," Mr Longuet said.

"The final objective," he said, "is that by the end of the agreement Europe should guarantee to France that there will not be one extra hectare of land taken out of production", beyond the set-aside provisions of the European Union's current reform of its Common Agricultural Policy (CAP).

The Brussels Commission has claimed that the Blair House accord as originally agreed would not require the EU to cut production any more than it is already doing under CAP reform.

Many countries wary of extending laws beyond their own frontiers

US seeks OECD foreign bribes ban

By George Graham in Washington

The US will this week demand that other industrial countries follow its example by outlawing bribery of foreign officials.

At a meeting in Paris of the Organisation for Economic Co-operation and Development, US officials plan to propose a set of binding recommendations to take much tougher measures against bribery. But other member countries fear that by rejecting the less stringent recommendations that the OECD's own task force has been working on for four years, the US may delay the adoption of

international standards.

While almost all countries outlaw bribes to their own officials, the US with its Foreign Corrupt Practices Act is the only country which criminalises bribery of another country's officials. Most other countries are more wary than the US about extending their laws outside their own territory.

US State Department officials complain that, apart from the negative effects of bribery in the developing world, US companies bidding for contracts around the world are set at a competitive disadvantage to companies permitted to bribe.

Their proposals would require OECD

countries to make bribery of a foreign official a criminal offence, and ensure that companies were not allowed to deduct the bribery costs from their taxable income.

Mr Dan Tarullo, assistant secretary of state for economic and business affairs, told other OECD members at a recent meeting in Paris that the US was disappointed with the "lax approach" by the organisation's working group on illicit payments.

"The most recent meeting of the group suggests that some members prefer to minimise the problem and to dilute efforts to address it," he said.

A senior US official said the OECD

working group's recommendations amounted to a shopping list from which countries could pick one or two measures, and needed to be made more binding.

Officials from other OECD countries, however, say the US is seeking to raise the stakes from the level it accepted some months ago. They fear this may make it impossible to finish work on their proposals at their meeting on Thursday and Friday.

Some officials speculated that the US initiative might even prevent the completion of bribery rules in time for ministers to ratify them at next June's OECD meeting.



US astronaut Jeff Hoffman walking out on Saturday from the space shuttle Endeavour on the first of five spacewalks to repair the Hubble telescope. Gyroscopes and fuse plugs on the defective spacecraft have been replaced and today the telescope's defective solar panels are due to be replaced. The mission is critical for restoring public support for Nasa

Query over missile treaty

By George Graham

The US is asking Russia to agree to a new interpretation of the Anti-Ballistic Missile Treaty to allow it to test and deploy a theatre missile defence system without contravening the ban on defences against strategic missiles.

US officials insisted that they were seeking to "remove a long-standing ambiguity", not to change the treaty or to adopt the broad interpretations of the Reagan and Bush admin-

istrations, which claimed that the ABM treaty allowed the deployment of space-based missile defences.

"Our intention is to make clear the distinction between theatre missile defence not limited by the treaty and strategic defences that are limited," the State Department said.

While defences such as the Patriot system, used against Scud missiles during the Gulf war, are allowed by the treaty, defences that could intercept faster medium-range mis-

siles could fall under the prohibition on national defences.

The 1972 ABM treaty was intended to curb the arms race between the US and the Soviet Union. Many arms control specialists remain firmly opposed to any tinkering with the treaty.

If the clarifications sought by the Clinton administration were to count as changes to the treaty, it might prove difficult to persuade the Senate to ratify the revised treaty.

Hopes dashed of subsidy curbs on shipbuilding

By Nancy Dunne in Washington

US hopes of negotiating multinational limitations on shipbuilding subsidies were dashed last week when negotiations in the Organisation for Economic Co-operation and Development were adjourned until next year.

Mr John Stocker, president of the Shipbuilders Council of America and one of the prime movers behind the effort to reform shipbuilding subsidy, dismissed as "a ploy on the part of our trading partners" the alleged reason for delay - that the negotiators wanted to concentrate on completing the Uruguay Round.

"They have succeeded in dragging their feet for 14 years, so why would they change their behaviour now?" Mr Stocker said. He accused the negotiators from Japan, South Korea, Finland, Norway, Sweden and the European Union of wanting only "to continue their market-distorting shipbuilding and repair subsidy practices".

The US wants to restrict direct and indirect subsidies to shipbuilders in the form of loans, grants, debt forgiveness, tax benefits and research funding above defined limits. The

negotiators were reportedly unable to agree on a permissible level for shipbuilding export financing or dumping of ships in foreign markets.

The Clinton administration has set December 31, 1993, as a deadline for agreement. The OECD talks were in response to an unfair trade petition filed by US shipbuilders in 1989. Deadlines were set and ignored by the Bush administration in 1990 and 1991.

Meanwhile, the Clinton administration has announced support for a 10-year \$1.2bn (£800m) shipbuilding subsidies programme to help the US maritime industry survive the end of Cold War production cuts. The bill provides \$2.1m a year per US ship in operating subsidies; construction differential subsidies will cover the difference in costs between a US ship and a comparable foreign-built one.

Congress may force the administration to act against foreign subsidies early next year, according to Mr Stocker. Both congressional houses may begin to move legislation, introduced last year, which would levy fines on ships entering US harbours if they are registered in, owned or controlled by countries which subsidise shipbuilding.



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مكتبة الامير

NEWS: INTERNATIONAL

Violence grows between Israelis and Palestinians opposed to peace

Crackdown threatened for Jewish settlers

By Julian O'Connell in Jerusalem

Israel's cabinet yesterday vowed to crack down on violence by Jewish settlers opposed to Israeli-Palestinian peace after the most violent week since the accord was signed in September.

An increasing cycle of tit-for-tat violence by Israeli and Palestinian extremists, united in their desire to sabotage the peace process, has overshadowed the visit by Mr Warren Christopher, US secretary of state, who yesterday vowed to "energise" stalled peace talks between Syria and Israel.

Over the weekend, Israeli settlers living around occupied Hebron shot into crowds of Palestinians, some of whom were throwing rocks. In another incident, a settler fired at an Arab taxi. At least six Palestinians were wounded in the weekend violence in Hebron and one died yesterday in hospital.

In an apparent revenge attack, a Palestinian guerrilla belonging to the extremist Islamic Jihad group yesterday attacked a bus near Tel Aviv. One Israeli wounded in the battle later died in hospital and the guerrilla was shot dead by Israeli soldiers. Crowds of Israeli's gathered around the Palestinian's body shouting "Death to Arabs".

Since the Israeli-Palestinian peace accord was signed in September at least 33 Palestinians and 15 Israelis have been killed.

Cabinet ministers, many of whom have criticised the government for not

taking firmer measures, attacked the wave of violence by settlers, accusing them of terrorism, murder and other illegal acts to disrupt the peace process. Mr Moshe Shaleh, police minister, and Gen Ehud Barak, army chief of staff, promised tougher measures to curb settler violence and the use of force against law-breakers.

Other ministers threatened to review the right of settlers to carry weapons. At least five settlers involved in the weekend incidents in Hebron were arrested and police officials said they were looking for others.

Mr Christopher, who flew to Damascus yesterday for talks with President Hafez al-Assad of Syria, called for an end to the violence but made it clear that he was concentrating his Middle East shuttle diplomacy on trying to achieve a breakthrough in stalled talks between Israel and Syria over the Golan Heights, occupied by Israel since 1967.

Mr Christopher, who hopes to carry messages between Damascus and Jerusalem, was expected to offer Mr Assad an improvement in ties with the US in return for concessions to Israel and a written Syrian clarification of the nature of peace with Israel it envisions.

He flies to Amman today to meet King Hussein of Jordan and Mr Yasser Arafat, Palestine Liberation Organisation leader. Tomorrow he will hold a second round of meetings with Israeli leaders before considering a possible second trip to Damascus.



Israeli border police confront Palestinian stone-throwers from a hill near a refugee camp mosque

Isolated Buthelezi may stand down

Inkatha leader's departure would transform S African politics, reports Patti Waldmeir

Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party and chief rival of the African National Congress, is thinking about retiring.

So he told the Financial Times in an interview last week, during which he outlined his objections to the constitution to go to the white-dominated South African parliament for approval, possibly as early as today.

The constitution was agreed last month in essentially bilateral negotiations between the ANC and its allies and the government. South Africa's immediate future will depend on the chief's decision: will he sign the constitution? If not, will he at least participate in the first all-race elections next April 27, arguing that voters should elect him to see the constitution improved? Will he oppose the poll, and risk seeing his base, Natal province, plunged in ever greater violence?

Or will he, as he insists is possible, walk off the political stage where he has held a prominent place for decades, and retire forever?

His departure would transform the political scene, not only in Natal province but also in the townships near Johannesburg which have seen so much recent carnage.

responsible for the killings, which have left some 12,000 people dead in political violence since 1990; but Inkatha would be crucially - probably terminally - weakened by the loss of the man who formed the organisation as a cultural movement in the early 1970s, and who has led it ever since.

Chief Buthelezi is Inkatha; his lieutenants are weak men, with little popular base. It is hard to see them taking over. But Chief Buthelezi himself has become increasingly isolated in recent months, and this too is hurting Inkatha.

Foreign embassies, previously friendly, have severely censured him for pulling out of multi-party talks. Once the darling of the local business community, he must have been shocked to learn that a recent poll showed his support among leading businessmen had fallen to zero; and in a surprise move at the weekend, Zulu King Goodwill Zwelakhe, who had never done more than repeat the views of Chief Buthelezi, openly criticised Inkatha for pulling out of talks.

Asked why he might retire, Chief Buthelezi replied: "If people are messing up the country and they think they are right, we let them do so... I am sick and tired of the pit of my stomach

with being blamed when I'm right."

His said he held out "no hope" that continuing talks between the government and the right-wing Freedom Alliance (which includes Inkatha) would yield agreement on constitutional amendments to meet his objections. These focus on the powers of regional governments, and on the fact that regions can raise no taxes without central government approval. The government appears to have conceded some independent taxation powers for regions, but it was not clear whether Chief Buthelezi's demand for "exclusive" powers for regions in other areas would be met.

The two sides have met almost constantly since the new constitution was approved at the multi-party negotiating forum, trying to strike a deal before it goes before parliament to become law.

Chief Buthelezi said he foresaw problems with the installation of the Transitional Executive Council, due to meet for the first time tomorrow to oversee government in the run-up to elections. "Even if they've got their army, I don't know how they actually implement it... because my people and I don't accept it. We have the right to resist it," he said, then added "peacefully".

Tokyo package delayed

Japanese government plans to launch an economic stimulus package, announced for early this week, have hit delays due to the coalition's hectic schedule. William Dawkins reports from Tokyo.

Mr Hiroshi Kumagai, minister for international trade and industry, said on Japanese television yesterday that the government was discussing no such plans and that it must now give top priority to the supplementary budget required to finance part of the ¥6.150bn (£38.7bn) pump-priming package launched in September.

Another economic package could be included in next year's budget, due to be drafted soon, he said.

Last week, Mr Kazuo Aichi, in charge of policy for the Japan Renewal party, the coalition partner responsible for economic policy, said the seven-party coalition had agreed on the need to take some action to boost the economy around December 7.

The apparent change of plan is a symptom of the government's heavy workload. The government must over the next few weeks pass the supplementary budget, make a decision on the phased opening of the rice market - possibly this week - and seek an extension of the parliamentary session, due to end of December 15, to enable passage of four political reform bills.

Malawi violence kills 32

Malawi's government was yesterday trying to salvage credibility after a week-end of violence which left a total of 32 people dead and more than 100 injured, Nick Young writes from Lilongwe.

Mr Hetherwick Ntala, foreign minister, insisted that the government was in control, and that the army had pledged support for President Hastings Banda and the three-man presidential council which has held executive power since Dr Banda was taken ill in October.

Statements from the Presidential Council claim the government endorsed army assaults on bases of the Malawi Young Pioneers, the 2,000-strong armed wing of

the ruling Malawi Congress party.

During the operation, the party's Lilongwe headquarters were ransacked by regular soldiers, the Lilongwe Youth Ministry was stormed and destroyed, and one of Dr Banda's stake residences, in the northern town of Mzimba, was reported to have been burned down.

State radio yesterday said Major General Isaac Yohane, the army commander, claimed still to control the forces, although during the action regular soldiers had told the Financial Times that they were taking orders from Major John Msonthi, and that Maj Gen Yohane was under house arrest.

IMF team in Ivory Coast

Mr Alassane Ouattara, Ivory Coast prime minister and presidential hopeful, faces the unenviable task of winning international Monetary Fund support for a tough programme of reform during a period of political turmoil in which his own premiership is in jeopardy, Leslie Crawford writes from Abidjan.

A few weeks ago, France said it would no longer pay Abidjan's \$350m-a-year debt service bill to the World Bank, or cover the recurrent budget deficits. Paris also directed other former African colonies to the IMF for continued financial help.

An IMF team arrived in Abidjan over the weekend to review the country's dis-

mal economic performance and discuss renewed assistance. A previous IMF programme was abandoned last year because of non-compliance with economic targets.

President Félix Houphouët-Boigny's declining health has led to paralysis in economic decision-making, as leaders of the Democratic party jostle for power.

Private sector contractors complain that the government is not honouring debts. The government is experiencing increasing difficulties in meeting its monthly \$85m (£57m) wage bill. Doctors, teachers and electricians have been on strike over delays in the payment of salaries. See Press Review, below

Judge rules out Singapore secrets charge

By Kieran Cooke in Kuala Lumpur

The judge in the Singapore trial of five people accused of breaching the island republic's Official Secrets Act (OSA) by prematurely disclosing an official economic growth estimate has ruled that the prosecution has failed to make a case against one of the accused, but invited the attorney general to bring an amended charge.

Mr Tharman Shanmugaratnam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's de facto central bank, had been accused of communicating an official 1992 second-quarter economic growth estimate of 4.6 per cent to two economists, who are alleged to have then shared it with a journalist, whose editor published it.

All have pleaded not guilty to the charges, which carry penalties of a maximum of two

years in jail or a \$82,000 (£40,000) fine or both. After a trial which has so far lasted for 24 days, the judge said the prosecution, led by Singapore's attorney general, had not substantiated its case against Mr Shanmugaratnam on the charge of communicating the growth figure. But the judge then invited the attorney general to bring an amended charge of negligence against the economist.

In a case which has both

intrigued and concerned Singapore's financial community, the prosecution's case has centred on what did, or did not, happen at a meeting in Mr Shanmugaratnam's office at the MAS in June last year.

The prosecution has alleged that Mr Shanmugaratnam communicated the estimate to one of the economists, Mr Manu Bhaskaran, at the meeting. Mr Bhaskaran has said he caught sight of the estimate among Mr Shanmugaratnam's papers.

The prosecution claims that, even if Mr Shanmugaratnam did not communicate the estimate, his actions amounted to recklessness, chargeable under the OSA.

Today the court is due to hear from prosecution and defence on how they wish to proceed in view of the new charge against Mr Shanmugaratnam, after which the judge is expected to decide if the four other accused have cases to answer.

Malaysian anger unallayed

By Kieran Cooke

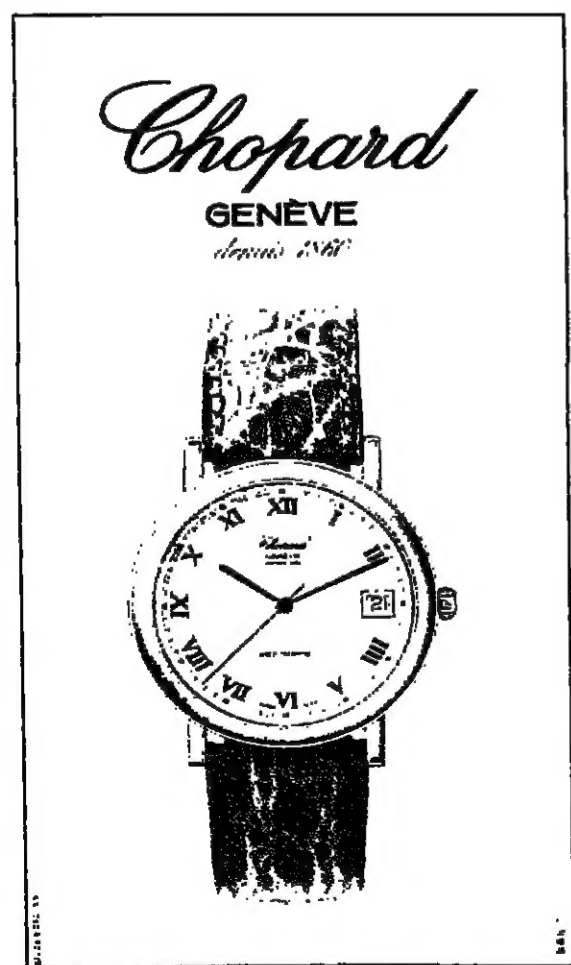
A diplomatic row between Malaysia and Australia over remarks by Mr Paul Keating, Australia's prime minister, about Dr Mahathir Mohamad, his Malaysian counterpart, intensified over the weekend. Mr Abdullah Ahmad Badawi, Malaysia's foreign minister, said a letter sent by Mr Keating attempting to explain his remarks had not helped ease tensions.

"The letter... was not a letter coming from a person with any regret or regret over what had happened," said Mr Abdullah. "What most disappointed us was that he did not say he was sorry in the letter and in fact showed no conciliatory attitude. Anything can happen after this."

Mr Keating had described Dr Mahathir as "a recalcitrant" for not attending last month's Asia Pacific Economic

Co-operation summit in Seattle.

Several government departments in Malaysia have already taken action against Australia and Australian businessmen have said trade running at nearly \$2bn (£1.5bn) a year could be jeopardised. Malaysia has become one of Australia's more important export markets recently and Australian companies have been investing heavily in Malaysia's fast-growing economy.



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FRANCE

The cartoon on the front page of Saturday's *Le Monde* said it all. It showed a bride and groom crawling outside a town hall. Her dress emblazoned with "Volvo" and his suit with "Renault". In the background, two gleeful Japanese businessmen crack open a magnum of champagne.

Le Monde had no doubt whom to blame for last week's debacle when Volvo's shareholders vetoed its long-planned merger with Renault, the French state-controlled car company. The Swedes themselves were the butt of its fury. "The people of Sweden would do well to reflect on the consequences of the failure of the merger for the future of their country in Europe," it thundered.

Liberation, the liberal-left daily, blamed one Swede in particular - Mr Peter Gyllenhammar, who last week resigned last week as chairman of Volvo when the merger collapsed.

"PG" is loathed by the Swedish business community, and the main reproach against him is his love of France. It said: "However, the paper also blamed the French authorities for their 'lack of tact' during the negotiations: 'To the Swedes, France is the most nationalistic and protectionist European country, as illustrated by its stance on Gatt,'" said Liberation.

Even France-Soleil, the racy evening paper, agreed, it suggested that Volvo's shareholders, alarmed by the recent fiasco of the Air France dispute, had been frightened by the prospect of their company falling into the clutches of the French government.

As for the future... Les Echos, the financial daily, mooted Fiat of Italy as a possible partner for Renault, while *La Tribune* disclosed a darker scenario for Volvo by warning that "its new partner will probably be a predator, to whom the Swedes

will no longer be in a position to say No."

SPAIN

The Spanish government's message that the country's rigid labour market regulations are being overhauled in line with those in the European Union is not getting much of a hearing in the domestic press.

The government has not "challenged" the unions, it has "declared war" on them, said ABC, the big conservative daily, conveying a message of watch-this-space for sustained industrial unrest. For good measure, it added that the reform programme was "far from being a global solution to the real problems of the economy".

The young *El Mundo* went one further. Accusing the government of running roughshod over accepted political norms, it trumpeted: "The government unilaterally breaks the labour framework of the [post-Franco] political transition." *El Mundo* also firmly backed the unions with its message that they have a duty to retaliate - which they intend to do, with a 24-hour national stoppage next month.

El Pais, the top-selling newspaper and normally a stalwart supporter of the government, put the final nail in the coffin. Alone among the press, it discovered that the cabinet was divided over the reforms. Its scoop was that the interventionist and regulatory ministers had kept the free-marketists in the cabinet at bay and made the reforms less liberal than had originally been intended.

IVORY COAST

The Ivorian press has had a new lease of life with the declining health of its octogenarian president, Mr Félix Houphouët-Boigny. Many dailies and weeklies (21 in all) have surfaced since the president returned from a Swiss cancer clinic in November, and are being financed by rivals for the presidential succession. Newspapers are crammed with political machinations



Houphouët-Boigny: end of era

and debate, but they are strangely silent on the most critical question of all: Mr Houphouët-Boigny's state of health.

"Is he dead, is he alive?" asks *Nolre Temps* (Our Times), the most outspoken of Abidjan's weeklies. It does not know. Mr Houphouët-Boigny has not been seen since his return. He has not spoken to the nation; there are no health bulletins, indeed no announcements at all, from his palace.

Horizons, however, are sure that they are witnessing the end of an era. The collapse of commodity prices has impoverished the world's largest cocoa producer, and tough negotiations with the International Monetary Fund were being predicted by the opposition daily, *La Voie*.

The government mouthpiece, *Fraternité Matin*, still finds cause to celebrate 33 years of "Bridges, Roads and Schools" in a special bulletin prior to independence day tomorrow. It wishes Mr Houphouët-Boigny a speedy recovery and publishes photos of the president looking relaxed and healthy in happier times.

Most papers, however, are devoting their attention to the political battle between Mr Alassane Ouattara, the prime minister, and Mr Henri Konan Bedie, the speaker of parliament, both of whom aspire

to replace the ailing leader until elections in 1995. Racist overtones have alarmed the 4m immigrants (one-third of the population) who live in the Ivory Coast.

In the wake of anti-immigrant riots last month, a headline in *Le Beller* (The Firm) screamed: "A foreigner to be head of state? NEVER". The article attacked the prime minister, who is half Burkina Faso and was educated in Burkina Faso and the US. It called on "patriots of pure blood to denounce Ouattara's attempted constitutional coup". Newspapers supporting the prime minister attack the *Belle* camp as "fascists". Given that both men belong to the ruling party, their dual marks an ignominious end to a regime whose mottoes were "dialogue and brotherhood".

BRAZIL

The homecoming of Brazil's most wanted fugitive, Mr Paulo César Farias, accused of corrupt fund raising for ex-President Fernando Collor, has generated intense press coverage.

Mr Farias, who was arrested in Thailand last week, was subjected to Brazilian press overload. The *Folha de São Paulo*, the country's most popular broadsheet, published a plan of the Thai prison which housed "PC", as he is generally known, and then a minute-by-minute summary of his 21-hour flight back to Brazil. TV Globo also dwelt at length on the flight, highlighting Mr Farias' request for a whisky and ice.

Such blanket coverage reflects popular anger at the corruption allegations which forced the resignation of Mr Collor last year. Brazil now faces a potentially far-reaching investigation into the country's Congress, where over 30 politicians have been accused of taking bribes for helping approve construction contracts in the government's budget.

Zero Hora, a tabloid based in the southern state of Rio Grande do Sul, led on Saturday with the headline: "He's back! And now he threatens to talk", referring to

COLOMBIA

Drug chief Pablo Escobar had been a "bad news" front-page personality since the murder of justice minister Rodrigo Lara in 1989. Colombia's papers competed to celebrate his death with striking headlines and editorials such as "The end of a nightmare" and "At last he fell".

The headline "Relief throughout the country" also reflected a sense of relief among the press: Escobar was charged with the murder of the editor of *El Espectador*, one of the main national dailies, and the paper's offices were bombed. Escobar also organised the kidnapping of several journalists, one of whom was killed.

The special task force which pursued Escobar around Medellín for more than a year - and was criticised for not catching up with him sooner - received generous coverage, as well as medals.

Sensitive to foreign opinion, the Bogota papers devoted considerable space to monitoring how the world's press registered Escobar's death. Congratulations from the US were prominently displayed.

The good news theme was continued by economic writers, who highlighted the rise in share prices, and predicted that the removal of Escobar would make Colombia more attractive to foreign investors.

Contributions from Alice Rawsthorn in Paris, Tom Burns in Madrid, Leslie Crawford in Abidjan, Angus Foster in Porto Alegre and Sarah Kendall in Bogotá.

مكتبة الامير

World Bank presses Asians to protect environment now

By Victor Mallet
in Bangkok

The belief in rapidly growing Asian economies that prosperity must be assured before environmental issues can be tackled is incorrect, according to a World Bank report, published today.

The report cites the principal causes of environmental degradation in Asia as government inaction, population growth, urbanisation and industrialisation, as well as the mistaken belief that strong economic growth is necessary to allow environmental protection.

In the report - Toward an environmental strategy for

Asia - the authors, Mr Carter Brandon and Mr Ramesh Ramankutty, argue against such a belief, saying that sensitive environmental policies increase economic efficiency.

"The most financially viable environment-related investments are those that are good for both economic development and the environment," the report says, "including energy conservation, waste minimisation in industry (as opposed to end-of-pipe investments), recycling in the urban sector, fuel efficiency in the transport sector, soil conservation and sustainable forestry."

According to the World Bank, developing countries

need to spend 2 to 3 per cent of annual gross domestic product to achieve greater "sustainability". In Asia, this translates into about \$38bn annually by 2000, two-thirds of it in east Asia.

"It's cheaper to start with clean technology than to clean up afterwards," Mr Brandon told a news conference in Bangkok. He cited the example of Japan in the early 1970s, when a public outcry meant that a quarter of all industrial investment was directed to pollution control equipment, instead of the usual 3 to 4 per cent.

Increasing energy efficiency by 20 per cent, by the end of the century, in itself would reduce the level of new capital investment required in Asia by \$50bn, the report says.

"Not only are these savings very large, they are three times the cost of installing cleaner technologies on the facilities still to be constructed," it says.

One problem in convincing Asian governments of the need for environmental protection is the lack of data about the true cost of environmental destruction.

Initial estimates suggest that air and water pollution in Bangkok costs more than \$2bn

a year, and in Jakarta more than \$1bn. "The magnitude of the [urban] problem is about 10 per cent of the total GDP of large Asian cities," Mr Brandon said, "while the magnitude of the solution is only about one or two per cent."

Some countries, however, are beginning to appreciate the scale of the problem. Mr Chuan Leekpai, Thailand's prime minister, told a conference on business and the environment in Bangkok last week that the government would invest about \$600m in environmental protection during the next five years.

The World Bank report paints a grim picture of environmental decay in Asia. With vehicle numbers doubling every seven years, urban air pollution is at "critical levels", and five of the seven cities in the world with the worst air pollution are in Asia.

East Asian industry is now more than nine times the size it was in 1965, and emissions of industrial and toxic pollutants have increased exponentially.

The report suggests a number of remedial measures, including pricing to limit the output of pollutants, vigorous enforcement of legislation, and public disclosure requirements to embarrass polluters.

IMF near special aid relaunch

By George Graham
in Washington

The International Monetary Fund has almost enough money to relaunch its special loan fund to help the world's poorest countries restructure their economies, but the fund is facing an uphill struggle to win the final commitments it needs.

Donor countries have promised about 30 per cent of the funds the IMF is seeking for its Enhanced Structural Adjustment Facility, which lends money at 0.5 per cent interest to low-income developing countries, mostly in sub-Saharan Africa. But many donor countries have made their pledges conditional on other rich countries playing their part. Negotiations are now at a critical stage, if the ESAF is to be relunched by the end of this year as originally planned.

The IMF needs 5bn special drawing rights (\$7.35bn) in capital to be loaned to developing countries over the next three or four years. This money is deposited by government financial institutions, such as Japan's Eximbank, and earns interest, and so is less difficult to raise.

But the IMF also needs about \$DR1.5bn of contributions to subsidise the ESAF interest rate at 0.5 per cent.

Although falling world interest rates have reduced the gap



SAFETY FIRST: Cambodian women marched in Phnom Penh yesterday to promote protection against Aids

agencies in each donor country have been reluctant to hand over more of their shrinking resources to a multilateral programme such as ESAF, despite generally positive views of its results.

Japan and France, the two biggest contributors to the first ESAF, were among the first to commit themselves to the new facility. At the same time, the IMF has cast its net more widely and has obtained commitments from a number of countries in Asia, Latin America and the Gulf.

Many of the promises now on the table could be withdrawn, however, if the US cannot be persuaded to contribute something. Although the ESAF avoids any strict burden-sharing formula, countries watch each other in order to spot any government avoiding its responsibilities.

The US, the largest economy in the world, contributed only \$DR106m to the \$DR2.5bn subsidy fund for the last ESAF - less than Sweden or Switzerland.

The original ESAF, whose life has been extended to the end of this month, has made loan commitments totalling \$DR3.2bn to 29 countries.

Although about \$DR2bn remains unspent, this money could be taken up quickly if agreements were to be reached, as expected, with Pakistan and possibly India.

Official meeting seeks global green funding

By Lisa Branstetter
in Washington

International environmental officials hope to win promises of funds totalling \$2bn from donor countries to tackle global environmental problems over the next three years.

Delegates from more than 70 countries will meet at Cartagena in Colombia this week in an effort to turn the three-year-old Global Environment Facility into a permanent funding mechanism for the Rio de Janeiro conventions on global warming and biodiversity last year.

The interim GEF, due to expire in mid-1994, has so far distributed more than \$730m for projects related to the two conventions and for others meant to protect international waters and prevent ozone depletion.

Mr Mohamed El-Ashry, chairman of the interim GEF, said significant progress in narrowing differences of opinion among the member nations had left him "cautiously optimistic" that agreement would be reached. However, he added, there are "significant issues that need to be agreed - any hardening of one side or another on any of the issues could block agreement."

Governance and funding are among the most critical remaining issues, he said.

In other international funds, such as the World Bank's International Development Association, the US provides 20.86 per cent of funds.

Analysts speculate the US may provide a similar percentage of the GEF, or about \$400m. This figure would probably make the US the largest contributor to the GEF.

The US did not contribute to the \$1.1bn core funds of the pilot project, but has committed \$150m in parallel financing. Before committing funds, the US must have the ability to screen controversial projects, according to a US Treasury official.

The US also wants information about projects to be accessible, with provisions for the participation of local people and non-governmental organisations.

An independent evaluation of the interim GEF cited problems similar to the US concerns as issues to be addressed so as to improve the facility's environmental and social impact.

"If we do not reach key policy objectives, we will not proceed," the Treasury official said.

China to let foreigners into air joint ventures

China yesterday said it would let foreigners run joint-venture airlines in 1994, as part of a programme to speed the development of aviation. Reuter reports from Beijing.

Foreigners also would be allowed to invest in China's commercial airports and run all operations except air traffic control, according to Mr Lin Kun, a senior foreign trade official. He also said similar investment would be allowed in other parts of China's transport system and infrastructure.

Mr Lin said economic growth and industrial production had expanded so briskly that China would be forced to resort more to foreign-led "build, operate and transfer" projects. Beijing has been insisting on relying on foreigners only for aircraft.

However, air accidents and outbreaks of chaos at airports have persuaded the government that rapid import of aircraft without improving ground control, reservations and passenger management was unsustainable.

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مكتبة الجليل

Government may strengthen anti-fraud body

By Kevin Brown, Political Correspondent, and John Mason, Law Courts Correspondent

The British government is considering increasing the responsibilities of the embattled Serious Fraud Office as part of a shake-up in the battle against white-collar crime. The SFO would be enlarged to take on the most important cases currently investigated by the Fraud Investigation Group, of the Crown Prosecution

Service. The proposal reflects strong government support for the SFO in spite of the growing criticism of its handling of a range of high profile trials.

The controversy rose to a crescendo last week in the wake of the sentencing of disgraced financier Roger Levitt to 180 hours of community service and the SFO's admission that it gave privileged defence documents to the prosecution in the case of fugitive businessman Mr Asil Nadir.

The government has set its face against dramatic changes at the SFO, such as a switch to a single regulatory body like the US securities and exchange commission. Such a change is seen as "not on the agenda".

A small team of Whitehall officials led by a senior Treasury official is reviewing all the SFO's cases. But the government is confident it will show that the SFO remains the most effective unit for fighting serious fraud. Reverses are said to have been

caused by a mixture of bad luck and unexpected trial rulings which do not detract from the "great skill" with which the cases were handled. The SFO is said to have received insufficient credit for its 89 per cent conviction rate.

The exception is the case against Mr Nadir, former head of Polly Peck International, the failed trading company. Sir Nicholas Lyell, attorney general, admitted on Friday that the SFO wrongly released privileged doc-

uments to lawyers prosecuting Mr Nadir. The government view is that the documents were mistakenly released by an official who was not sufficiently well supervised. Ministers are satisfied Mr George Staples, SFO director, has taken prompt action to overcome weaknesses exposed by the Nadir case.

The government is also pressing for greater co-operation between the SFO, the CPS, the metropolitan police and City regulatory organisations.

Treasury told to ease off

By Peter Marsh

Mandarins at the UK Treasury have been told to abandon the habits of a lifetime and go home early rather than risk overworking and disrupting their family lives.

An internal survey earlier this year indicated that large numbers of the Treasury's 1,400 staff often worked 11-hour days. Now Sir Terry Burns, Treasury permanent secretary, has told senior officials that their junior staff should cut down on excess work by reducing their briefings for ministers and other Whitehall departments.

The shift is designed partly to install a more relaxed atmosphere and encourage more women with family commitments to rise to the top.

In an effort to make the Treasury culture more sympathetic to women, who comprise 45 per cent of all staff but just 7 per cent of the top 140 officials, Sir Terry is meeting a group of junior women from the department tomorrow to discuss childcare provision and part-time working. This follows an earlier meeting with senior women officials to discuss such issues.

The initiatives are designed to counter what an official says is a "macho" style at the Treasury of encouraging overwork, which officials now admit is sometimes counterproductive.

One official explained: "We have a tremendous tendency to write a vast amount of briefings which are used for purely defensive purposes."

Another admitted: "We

waste a lot of time producing the same material over and over again."

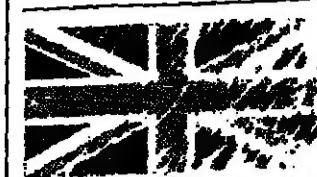
Sir Terry's initiative comes as the Treasury is starting an unprecedented project with 15 leading companies including BP, British Aerospace, Nissan, IBM, Cable & Wireless, Boots and Lloyds Bank to encourage more of its officials to mix with industrialists to learn about business.

These efforts are part of a broad move by Sir Terry to refocus the energies of his department and to change the management style of Britain's most important government department, which has been criticised for being too introverted and over-concerned with limiting public spending rather than thinking imaginatively about the economy.



Workers at the Bronze Age foundry in London shift statues of the World War Two leaders, US President Franklin Roosevelt and prime minister Winston Churchill. The works are destined for the D-Day Museum at Southsea, England, as part of next year's 50th anniversary celebrations

Britain in brief



Effort to keep Ulster peace deal on course

The British and Irish governments yesterday offered reassurances to the Northern Ireland Unionists in an attempt to keep peace negotiations on course.

Mr Douglas Hurd, the foreign secretary, bluntly rejected suggestions that Britain agreed to compromise on the Irish claim to Ulster during talks in Dublin on Friday.

Mr Hurd said there had been "no softening on any point of principle. The principle here, and the key to the whole thing, is consent," he said. Mr Hurd said the talks between Mr John Major, the British Prime Minister, and Mr Albert Reynolds, his Irish counterpart, had gone through some "rough passages".

But he said there was agreement on both sides that the future of Northern Ireland remained firmly in the hands of the people of the province.

Mr Reynolds, speaking on Irish radio, said reports of British concessions on the constitutional issue were "ill-informed nonsense."

He also confirmed that the Irish government is willing to offer a written pledge to hold a referendum - but only as part of an overall settlement.

Mr Reynolds said the talks were still "firmly on course", in spite of very serious disagreements exposed on Friday. However, he said time may be running out for a deal.

City cordon set to stay

City of London police may use traffic management powers to retain the controversial security cordon around the Square Mile if objectors seek its withdrawal next year.

The cordon, which restricts and monitors traffic movements in the central area of the City, was set up in July following April's Bishopsgate bombing. It was introduced for a six month experimental period under traffic powers, and the City Corporation is likely to extend the experiment for a further six months.

Retention for longer than that would require government approval.

Consortium for defence system

A consortium of 17 European companies led by Logica, a large British computing services group, is developing a battlefield control system which could give the UK and Europe a technological edge over the US in electronic warfare. It may also have applications in civil systems including the emergency services and air traffic control.

British Chambers of Commerce in Europe initiative

By Michael Cassell, Business Correspondent

The British Chambers of Commerce in Continental Europe has launched a support service to help small and medium-sized UK companies win business on the continent.

The organisation, which operates in 11 European countries and has more than 6,000 members, has agreed to provide information and assistance to companies who want to begin selling in continental markets.

Mr John Major, the prime minister, has endorsed the move, which will be supported by several government departments. The initiative means that companies will be able to enlist the help of staff nominated within each local chamber to analyse local market opportunities and to identify potential customers.

The "Grace" consortium includes Matra Cap of France, Datamat of Italy, Indra-Sistemas of Spain and the Dutch National Aerospace Laboratory.

The contract, worth some £17m, is being funded under the European Collaboration for the Long term in Defence (Euclid) programme. The defence ministries of the participating seven countries have put up £2m each and the companies are investing £2m of their own money.

Virgin to start Dublin service

Mr Richard Branson's Virgin Atlantic Airways is starting daily London to Dublin services from January 10, it was announced yesterday.

Virgin will operate five-times-a-day weekday services to the Irish capital from London City Airport in London's Docklands in a deal with new Irish aviation company CityJet. Mr Branson said Virgin would be using two British Aerospace 146 jets on the Dublin route.

As well as the weekday services, Virgin will also operate twice-a-day services at weekends.

Philharmonia is London choice

The Philharmonia has been chosen by Lord Justice Hoffmann to be London's "super orchestra". His decision, given to the Arts Council music panel on Friday, has yet to be made public.

The Council asked Lord Hoffmann, a judge and music lover, to conduct an inquiry into three subsidised orchestras, the London Philharmonic, the Royal Philharmonic and the Philharmonia, two of which would lose their subsidy while the successful candidate received an increased grant. The London Symphony Orchestra, resident at the Barbican, was excluded from the competition.

The Arts Council's music panel will have to decide whether it agreed with the choice. If it does, the full Arts Council, meeting next week, could still overturn the decision.

BBC examines theme park plan

The BBC is looking at the possibility of building a multi-million pound theme park or exhibition centre in Britain which would feature sets and characters from some of its best-known programmes.

The project is being examined in conjunction with Pearson, owner of the Financial Times, through its wholly-owned subsidiary Tussauds Group, which runs Alton Towers, Chessington World of Adventures, Madame Tussaud's and the London Planetarium, next door to the famous waxworks.

The Tussauds Group runs the largest number of paid-for attractions in Britain. These include Alton Towers in Staffordshire which last year attracted 2.5m visitors and Madame Tussaud's with 3.2m.

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BUSINESS TRAVEL

Johannesburg has acquired an unhappy reputation as one of the most violent cities in the world. Certainly, in some of the neighbouring townships, the cost of human life sometimes appears alarmingly cheap, but the business visitor should start out in a more positive frame of mind.

Now that sanctions against South Africa have been lifted, there will be an increasing number of foreign business travellers arriving in the commercial capital for the first time. If you are paying your first visit, you are likely to have several concerns: how safe will you be? Where should you stay? And what can you do in your free time?

In terms of safety, staying and working in downtown Johannesburg is not markedly different from visiting other large cities. There are muggings. Cars are sometimes hijacked. But Johannesburg is not the Wild West outpost it is often portrayed as.

The normal rules of prudence should ensure the safety of any visitor: take care about being alone at night, do not wear ostentatious jewellery, and avoid visiting remote areas.

Nevertheless the city centre's poor image has taken its toll. The Carlton is the only five-star hotel left in the centre, compared with four a few years ago.

Most businessmen prefer to stay slightly north of Johannesburg in Sandton, at the Sandton Sun and Towers, or at the Rosebank hotel, in the city's leafy northern suburbs. New hotel developments in the northern suburbs are expected, with Hyatt, the US hotels group, likely to run a hotel there.

If you are visiting government departments in Pretoria, which is 45 minutes' drive from Johannesburg, or an institution such as the Development Bank at Midrand, midway between Johannesburg and Pretoria, it makes sense to be in Sandton. It is also a good

Philip Gawith guides the first-time visitor around Johannesburg now sanctions have been lifted

More first world than wild west



Seat of commerce: to visit Johannesburg's financial community, you'll have to go to the city centre

place to stay if you are visiting some of the many companies - particularly consumer groups, advertising agencies and small financial institutions - that have moved into Sandton and the suburbs from the city centre.

Be warned, though, you will pay for the privilege - Sandton hotel rates are now considerably higher than those in the city centre.

For visits to many other

institutions, however, the Carlton is more convenient. The mining houses, financial community and stock exchange are all still in the city centre. For those concerned about their security, the hotel offers a minder free of charge, who will accompany guests walking around town.

For those who choose to defy convention and opt for the city centre, there are two advantages.

First, most of the city's limited cultural activities are located there. The Market Theatre complex, in particular, is home to some of the most interesting theatre and music, especially jazz.

Second, the city centre is predominantly black. Staying there reminds you - by no means in a threatening way - of what continent you have come to do business in. The mostly white northern suburbs can easily foster the illusion that you are in San Francisco or Sydney.

Etiquette

South African business culture is very Anglo-Saxon in orientation, but visitors from continental Europe tend to liken it more to the US than the UK.

There are no quirky business conventions, but visitors are

sometimes struck by the formality of some of the mining houses and banks. Meetings and lunches are normally jackets-on affairs, and even fellow directors often refer to the chairman by his title or surname.

Consumer companies are more relaxed and are also more likely to invite their visitors for a game of golf. The business community is fairly cordial to visitors: the chances are that you will be invited out in the evening rather than left to languish in your hotel.

Leisure

Johannesburg is not much of a tourist destination - there are very few "must see" landmarks. More of these can be found in Pretoria, which boasts the Union Buildings - the seat of government - and the Voortrekker monument.

Johannesburg does, however, have several well-equipped cinema complexes screening the latest worldwide releases.

For those who have a spare weekend, South Africa's main tourist destinations are Cape Town and the Western Cape, the Eastern Transvaal - focus of most wildlife safaris - and the Drakensberg mountains.

Cape Town is a two-hour flight from Johannesburg. A flight to Skukuza or Nelspruit in the Eastern Transvaal takes about an hour. The best known luxury safari lodges - Londolozi, Sabi Sabi and Mala Mala - are five to six hours' drive from Johannesburg. The main resorts in the Drakensberg are four to five hours' drive.

The Sun City resort is about 1½ hours' drive away. It has two good golf courses. And the new Palace Hotel at the Lost City is a splendid, if slightly over-the-top, luxury offering.

European airlines spar over prices

European airlines have launched a series of Christmas promotional discount fares which they describe as a "skirmish" rather than an all-out fare war, writes Michael Skapinker.

The promotions are designed to fill seats when European traffic is at a traditional post-Christmas lull between January and March.

Lufthansa was the first to start the Christmas discounts with a reduced fares package for parties of two to four people for travel within Europe. Under the scheme, the first passenger pays the full fare, the second gets a 50 per cent discount, and the third and fourth get discounts of 25 per cent each. They must spend a Saturday night at their destination.

British Airways has responded with fare cuts for flights from Frankfurt to London. Air France has a similar package as Lufthansa for its flights out of Germany, while SAS and KLM are also offering lower fares.

British airlines, airports and travel agents are still seething over the announcement of a new departure tax in last week's Budget.

Air passengers flying to another UK or European Union destination will have to pay £5. Those flying elsewhere will pay £10.

Transfer and transit passengers will be exempt, as will children under two, and those making return journeys within the UK.

The tax comes into effect in October next year. The



government says the measure merely brings the UK into line with other countries which charge air passengers to leave their territory.

This appears to be the case, according to information gathered by Thomas Cook, the travel agents chain. The US charges passengers departing on international flights \$16 (£12). Japan charges ¥2,000 (£12.40). Germany DM6 (£2.30). France FF15 (£1.70) and Belgium BF330 (£6.10).

British Airways flights to Delhi transfer from Gatwick to Heathrow from today. They will operate alongside the airline's established services to Bombay and Madras from Terminal 4. An extra flight to Delhi is also being added, making six a week.

Italy and France will study building a 280km high-speed rail link between Lyons and Turin via a tunnel through the Alps. The scheme is expected to take at least 10 years to complete. The link would halve the journey time to 1½ hours.

Germany and France are among the leading bidders for a \$10bn project to build China's first high-speed rail link from Beijing to Shanghai, according to official

newspapers in the Chinese capital. The 1,300km line is intended to ease congestion.

Sabena, the Belgian airline, plans to operate a joint flight with Delta Air Lines between Brussels and New York. Under the plan Delta would book seats on Sabena's daily flight from January 16.

Philip Morris, the US cigarette manufacturer, is funding smoking rooms at airports in an attempt to counteract the growth in non-smoking policies. Harrisfield Airport, Atlanta, has banned smoking in all areas. Philip Morris is spending \$250,000 to help build 10 smoking rooms.

KLM, the Dutch airline, is cutting fares to 27 European destinations by between £1.84 (£29.20) and £1.53 (£24.50) per return ticket between December 27 and March 27.

British nationals planning to travel to Libya should consider whether their visits are necessary. The UN Security Council imposed sanctions against Libya in April 1992, including a ban on flights to and from Libya. These sanctions remain in force and were supplemented by further sanctions, including a freeze on Libyan assets and a ban on exports of oil-related equipment, last Wednesday. All British nationals should register with the British Interests Section, Italian Embassy, Tripoli. Tel: Tripoli 31191.

Further consular advice can be obtained from the Travel Advice Unit, Consular Department, Foreign and Commonwealth Office, Clive House, Petty France, London SW1H 9SD. Tel: 071-270 4122, fax: 071-270 4222.

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THE MONDAY People page

Seeking a secure future in Japan

Robert Thomson explains why Yoshihiko Miyauchi is embarking on a sales tour

Over the next few days, Yoshihiko Miyauchi will be encouraging international investors to sit back, relax and let thoughts of sell orders drift from their mind. Miyauchi will be visiting the UK and US to deliver a sales spiel to investors in his role as president of Orix, the Japanese leasing and financial services company.

But the timing means that he will be speaking for more than just his company.

The message he brings from the Tokyo stock market will not be comforting. The market has swung alarmingly in the past two weeks with the government under mounting pressure to deliver another stimulus to the ailing economy and to prop up stock prices. As Miyauchi puts it: "Maybe we will be peeping at hell next year. The government must intervene to encourage more transactions. It has happened in Europe and the US, but in this country it takes a longer time to get a consensus."

Miyauchi moves easily between the worlds of politics and finance. He apparently has a good friendship with prime minister Morihiro Hosokawa. He also carries influence within the Ministry of Finance, which is often unsympathetic to the so-called non-banks such as Orix.

Miyauchi, 58, is linked with Hosokawa in Japanese minds because he is one of the relatively young executives who did not endure the slow climb through the corporate hierarchy, which would only have allowed him four years at the top at an advanced age. He has been president since 1990. His success has entitled him to a long reign.

Orix reflects its president's unconventional character. Large Japanese companies are cossified by cosy cross-shareholdings with other groups. Only a tiny proportion of their shares are owned by foreigners.

By contrast, 27 per cent of Orix is held outside Japan, prompting Miyauchi's taking to the road to soothe frayed nerves.

"Foreign shareholders sometimes do not buy the company itself, they buy countries together with companies. They don't always look at the bottom line. If they lose confidence in Japan, they tend to sell regardless of the company. That is happening now," says Miyauchi, who uses his hands for emphasis more than do most Japanese executives.

These are difficult times for Japanese financial companies, and Miyauchi will choose his words carefully while on tour. Four years after the peak in Japanese stock prices, the market is still vulnerable to sudden falls which can reverse months of gradual gains. The latest dive came with the realisation that the banking system was still creaking under the weight of bad loans, made during the bubble era of the late 1980s. That has left Japan's mainstream banks under a cloud but there are deeper fears about non-banks, as financial companies such as Miyauchi's Orix are known.

Miyauchi presides over an extended Orix family of companies. The names of subsidiaries stretch over five pages in the annual report. At the core is equipment leasing and consumer finance, then there is aircraft leasing, a securities house, the Orix Collection of fine art, a professional baseball team (the Orix Blue Wave), a car rental company, and a joint venture consumer finance company in Shanghai, which will give Chinese shoppers their first credit rating.

"We have very tight control over group companies. We know what has been happening, especially in the real estate divisions. I am watching the problem loans day-to-day and the problem ventures," Miyauchi says. "We have one or two problems in golf courses and resorts. We have already done our best and things are moving forward. They will not be profitable but they will be viable."

He says Orix was the first financial company to tackle non-performing loans, three years ago, though the



PERSONAL FILE

Born: Hyogo, Japan, 1935

Educated: Business studies at Kansai University

Academic qualifications: MBA from University of Washington, Seattle, 1980

Career:

1964: joined Orix

1973: General Business Division

1979: Vice president

1980: President

group's allowance for loan losses fell 3.7 per cent over the year to September, when Japanese banks sharply increased their loan loss provisions. Measuring the Orix exposure is not easy. But it was not exempted from some of the more exotic transactions of the bubble years of the stock market. One member of the family, Orix Alpha, was a lender to Nui Onoue, the infamous woman from Osaka, who used seances for investment advice and presented forged deposit receipts as collateral.

The cause of the financial system's lingering ailments is not eccentric stock speculators, but the aggressive lending to the property industry, made painful by a fall in land values and the draining of liquidity from the market. Miyauchi believes demand for residential property could recover but he believes the commercial market is a "disaster". The worst is yet to come, he warns.

Confident enough to handle an interview in English, he received an MBA from the University of Washington, Seattle, in 1980. His interests appear to have become as diverse as his company, which he joined in 1964 on its formation.

He became Japanese financial companies' inability to follow the lead of its manufacturing companies, such as Sony, which have a track record for innovating world class products.

He says: "The Japanese economy has become a world power by the power of manufacturing. If you look at the finan-

cial sector, we have a huge amount of funds available, but we have not created any financial service transactions which can be used in other parts of the world. We try to import everything and in many cases the government tries to stop it."

Well connected Miyauchi may be, but Japanese and foreign financial companies struggle to get approval from a conservative finance ministry for new products. After several years of negotiation, Orix became the first non-bank in July to issue commercial paper, giving non-banks more flexibility in raising finance when Japanese banks are wary of fresh lending.

Miyauchi's flexibility is rare in Japanese financial circles. But that does not mean he lacks other more traditional Japanese business characteristics, such as patience, which has been one of the hallmarks of its approach to China.

The company formed the first joint venture leasing company in Beijing in 1981, and the Shanghai consumer finance deal came after Orix had cultivated contacts for more than a decade.

"China is very, very difficult. It changes very quickly. I ask myself whether it is taking off," he says. "People are eager to have a better life. Now they would like more money. That is a big incentive for anyone to become a more economically-aware human being."

Dealing with foreign fund managers should be easier than convincing Chinese cadres to have faith in Orix.

Personae

Tabuchi emerges from hiding

In Setuya Tabuchi, former chairman of Nomura Securities, finally coming out of hiding, asks Emilio Terasano. Otherwise known as "Big Tabuchi", the man who was once king of Japan's securities industry, has been lying low since he was forced to resign in mid-1991 following the spate of securities scandals.

However, many in the financial community see his meeting with prime minister Morihiro Hosokawa last Tuesday, when the stock market plunged to a year's low, as a prelude to his return to power. This return visit has encouraged investors, and the Nikkei average has since perked up slightly, helped by reports that Big Tabuchi was



advising Hosokawa. Tabuchi, currently an adviser to Nomura, has been waiting to prove he has not lost his touch. He has been entertaining prominent politicians and officials of various countries, including Lady Thatcher. He says he only advised Hosokawa that public funds should be used to help the country's ailing banks with their non-performing loans. It was probably valid advice for leading politicians, many of whom have extensive shareholdings.

Retail banker moves up at First Chicago

Leo Mullin, the 50-year-old Harvard-educated banker recently named as president of First Chicago Corporation, has thus become heir-apparent to First Chicago chairman Richard Thomas, the engineer of a remarkable turnaround over the past two years at the US's eleventh largest bank, writes Laurie Morse.

Mullin's first task will be to convince Wall Street, and the ranks of First Chicago's institutional bankers, that despite his history as a retail banker, he will maintain the bank's successful balance of retail and global corporate banking activities. First Chicago, after a decade of mishaps and disappointing returns, is now profitable and poised for growth.

Mullin's promotion not only paves the way for an orderly succession to Thomas, who must retire in 1996, but suggests that the bank plans to expand through retail bank acquisitions. Mullin came to First Chicago 12 years ago as a strategic planner and ended up directing the corporation's

retail banking activities.

He has plenty of experience of producing healthy businesses out of turnaround situations. He is credited with preserving First Chicago's credit card portfolio in the early 1990s. A loss-maker at the time, the credit card division is now one of the bank's biggest profit centres.

Before joining First Chicago, Mullin spent nine years at McKinsey, where he helped forge Conrail out of a handful of failed eastern freight carriers. Mullin claims he fully understands the bank's balance of business. "My job is to develop a strategy for the entire corporation," he says. "We have as much upside in corporate banking as anywhere else."

Still, he is keen to keep First Chicago a leader in its home market. Barely a week after his promotion, First Chicago announced it would acquire Lake Shore Bancorp, a local institution with \$1.2bn in assets and headquarters on Chicago's posh Michigan Avenue for \$225m in stock.

First Chicago's share price fell after the deal, which analysts viewed as pricey. However, Mullin says the purchase makes strategic sense and that First Chicago should grow aggressively in all its divisions.

A proponent of brown coal

These are tough times for Manfred Stolpe, prime minister of Brandenburg, which has the only social democratic-led government in eastern Germany, writes Judy Dempsey. As an easterner and former head of the Evangelical Church in east Berlin and Brandenburg, Stolpe has been hounded for his alleged connections with the Stasi.

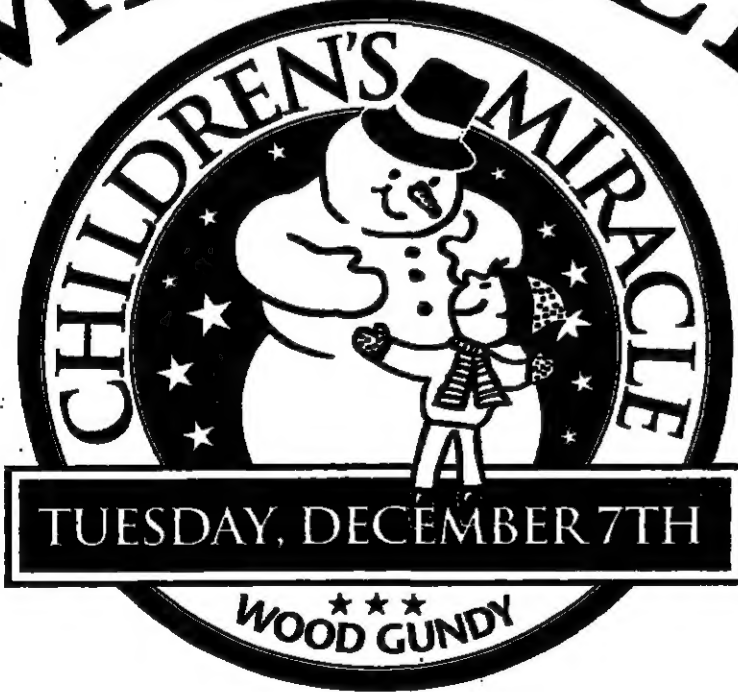
As a politician, he must answer for the state's level of unemployment which officially exceeds 17 per cent. Brandenburgers yesterday voted in the state's first local government elections since unification, but Stolpe, born in 1936 in Szczecin, then in Germany but now in Poland, is determined to set his sights on next year's state and federal elections. Success in two key sectors of Brandenburg's economy - brown coal and steel - could ensure him another term. The going will be tough.

The economic viability of the giant Lausitz mines, which the Treuhand privatisation agency is selling, depends on producing 55m tonnes a year. That would secure 12,000 jobs, a fifth of pre-unification times. The problem Stolpe faces is a growing rebellion from the cities which want to switch away from lignite to clean gas. "I am convinced we can make brown coal competitive. The fact that Britain's PowerGen and the Americans are buying Mibrag (lignite fields in Saxony-Anhalt) is a signal that brown coal has a future, and a clean one at that," he says.

Keeping afloat Ekostahl, one of the region's largest steel plants, will not be easy. The Treuhand is negotiating its sale to Kiva, the Italian steel manufacturer. But the European Union is questioning the level of subsidies involved in turning the plant into a mini-mill. "We hope the EU will support us," says Stolpe. "The subsidies will not be needed indefinitely. There are markets in eastern Europe, Ukraine and Russia for Ekostahl's products."

If Stolpe could secure a future for Brandenburg's brown coal and steel, his boroughers might secure him a political future too. If so, it would prove that an Ossi, or easterner, can ride the storm.

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The ins and outs of buy-outs and buy-outs

On Wednesday, December 8 the Financial Times will publish a survey on management buy-outs.

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Time the pessimists ate their hats

One of the hazards of being a reporter, especially a foreign correspondent, is that you have no control over headline writers. In more than three years of reporting on the US economy I have detected a subtle bias. Grieved by Euro-pessimism, the London-based subeditors are reluctant to believe any part of the globe is enjoying a strong recovery.

On Friday I thought I had them finally on the run. A drop in the jobless rate from 6.8 per cent to 6.4 per cent - the biggest in a decade - would surely convince even the sceptics of Number One. Southwark Bridge that the US economy was on a roll. By no means. "Big fall in US jobless lifts hopes of robust recovery" was the most that could be squeezed from the still-cautious news desk.

The stark difference in the economic performance of the US and Europe is still not fully appreciated in Britain. America has not been grappling with the worst recession since the 1930s. It had only a mild and brief downturn during the Gulf war. It has since enjoyed 10 consecutive quarters of expansion. The annual rate of growth has averaged 3 per cent in real terms during the last seven quarters and seems likely to reach 4.5 per cent this quarter.

But to be fair to FT headline writers, their perception of events mirrors that of Main Street America. George Bush lost last year's election because he could not convince voters the economy was truly reviving. The problem was that growth was slower than in most previous recoveries, and alarmingly erratic.

With hindsight, nobody should have complained about the last three quarters of 1992, which registered annual growth rates of 2.8 per cent, 3.4 per cent and 5.7 per cent. But then came the payback. The first three quarters of the Clinton presidency saw growth of only 0.8 per cent, 1.9 per cent and 2.7 per cent miserable by US standards.

The conventional view is that this saw-tooth pattern will continue. Growth will therefore moderate early next year, although not as abruptly as at the beginning of this year. The



MICHAEL PROWSE
ON AMERICA

consumer is expected to retrench because spending has outstripped personal incomes, pushing down the savings rate to 3.7 per cent against an average of 5.3 per cent last year. Factory output, meanwhile, is less robust than it looks because of an unsustainable surge in car production after a weak third quarter. Familiar villains - weak exports and defence cuts - will continue to exert their negative pull.

There is solid logic behind such arguments. But they seem a trifle pessimistic. The economy has worked its way through the financial problems of the late 1980s. Debt ratios are down in both the personal and corporate sectors. Banks are lending again. Commercial property values have stabilised. The barometer is thus now set fair for a more normal expansion.

Monetary policy has been highly stimulative for more than a year. The magnitude of the boost from lower rates, especially on longer-dated securities, should not be underestimated. Rate-sensitive sectors of the economy, such as housing, consumer durables and business investment, are doing well. Personal income figures do not allow for big sums released by refinancing mortgages at lower rates and thus understate consumers' buying power.

The employment outlook has been quietly transformed. Some 1.8m jobs have been created so far this year, twice the rate in 1992 when the economy grew by 2.8 per cent. This is what lies behind the surge in consumer confidence reported last week - one of the biggest in 26 years.

The rapid growth of this quarter could thus persist well into next year. Indeed, even if

the old saw-tooth pattern repeats itself, two or three quarters of above-trend growth would be more likely than a solitary strong quarter. After producing a stream of over-optimistic forecasts in recent years, US forecasters are on the brink of making the opposite mistake. Now that the constraints on growth have finally been lifted, they are unable to celebrate the dawn.

The relative pessimism about growth is prompting a second mistake: complacency about inflation. US analysts, despite the much greater buoyancy of the American economy, are beginning to adopt the Euro-pessimist view of inflation. It is dead, fringed, caput. Anybody who fails to recognise that prices are dormant is simply out of touch with reality, a relic from the 1970s.

Perhaps inflation is "yesterday's fight". Perhaps the "long wave" view of economic activity is correct. After the inflationary headaches of the 1970s and 1980s, maybe the world has entered a glorious new era of stable prices. All I can say is that this view looks less plausible in an economy that has not been flirting with depression. I suspect it looks less credible still in regions that are growing even faster than the US, such as China and the rest of east Asia.

In the short run, the recent sharp fall in oil prices will improve an already promising inflation outlook. Upward pressure on US wages and producer prices remains low. But this is the stage of the business cycle when policymakers always drop their guard. It may not be time for the US to apply the monetary brakes, but it is time to stop pressing the monetary accelerator. If Mr Alan Greenspan, the Federal Reserve chairman, gradually raises rates from 3 per cent to, say, 4.5 per cent, he will be moving from stimulus to a neutral stance.

We take out insurance against events we hope will never occur. It is in this spirit that Mr Greenspan should be preparing to rein in his monetary stimulus. If he does so, he may be the first Fed chairman in decades to preside over a faster rate of economic growth than inflation.

The man who will chair the summit of European Union leaders in Brussels at the end of this week started his career as chief of the Flemish Association of Catholic Boy Scouts.

If that conjures up a picture of an overgrown schoolboy in shorts, think again. Mr Jean-Luc Dehaene, Belgium's pugnacious prime minister, is blunt-talking, stocky and - in the judgment of both allies and enemies - very tough.

More significantly, Mr Dehaene, 53, will come to the summit on December 10 and 11 as one of the only leaders already trying to implement in his own country a far-reaching austerity plan. The aim is to improve Belgium's competitiveness, promote employment and cut the government deficit. Given that the summit will be seeking solutions to those problems at a European level, Mr Dehaene's role as chairman will be more than honorary.

"The Belgian government's action is explicitly integrated into the European context," Mr Dehaene said last month. "The plan that the government is preparing has to be considered as one component of a co-ordinated European plan, as a contribution to the [European Commission's] white paper [on growth, competitiveness and employment]."

EU leaders had a taste of Mr Dehaene's no-nonsense chairmanship at October's special summit in Brussels, when he helped forge agreement on where to locate the most important new EU institutions, such as the central bank. In spite of an acrimonious row in the afternoon between Britain and Spain over the site for the European medicines agency, Mr Dehaene announced a deal in time for supper.

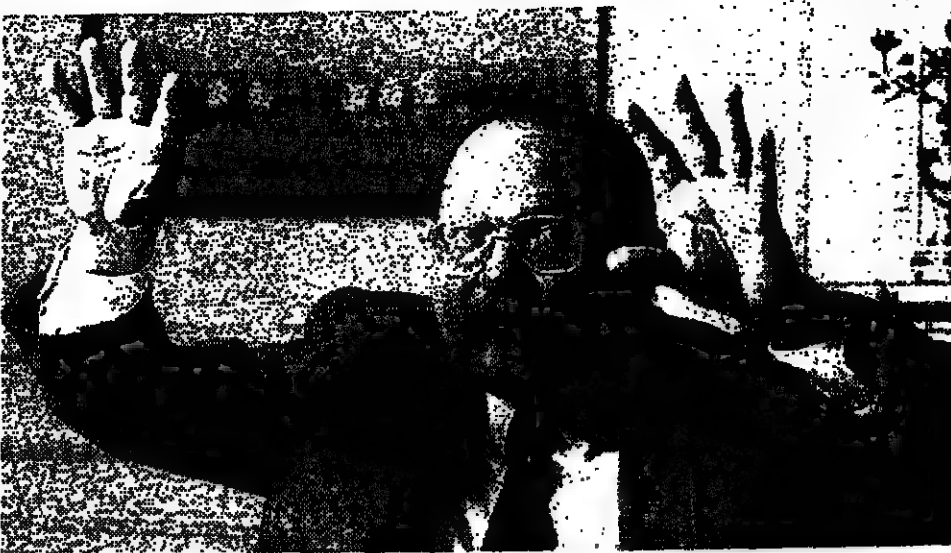
But this week's summit will have none of the celebratory overtones of the October meeting, which was called in part to mark the entry into force of the Maastricht treaty.

It will tackle issues that go to the heart of political differences between European leaders. Finance ministers gave a flavour of what could be in store in their first discussion of the Commission's thoughts on the white paper two weeks ago. The UK and Germany forced Brussels to water down guidelines for boosting economic growth and halting the rise in unemployment, and other ministers picked holes in the white paper.

Under such circumstances, Mr Dehaene's experience in wringing compromise out of feuding parties, regions and

Be prepared - and be armed

Patching over differences at the EU summit will test the Belgian prime minister, says Andrew Hill



A good hand: Jean-Luc Dehaene, Belgium's pugnacious PM, who will chair the Brussels summit

linguistic groups in Belgium should stand him in good stead. "He's a typical Belgian type of negotiator. These people are used to hammering out compromises and never giving in," said one EU diplomat. "I think we've already experienced under the Belgian presidency more late-night sessions than ever before."

At the same time, the recent talks on a national austerity plan have made the Belgian prime minister painfully aware of what will be at stake at the December summit.

Mr Dehaene originally hoped Belgium could climb out of recession with the help of a "social pact", which would unite unions, employers and the centre-left coalition government around a balanced series of measures. As it was, within 36 hours of the start of formal three-way negotiations at the end of October, the socialist unions had walked out. In the next three weeks, he formulated a plan with the socialist and Christian Democrat members of the coalition.

Under the plan - the most ambitious since the war - real wage increases will be frozen for the next three years, spending on family allowances,

healthcare and pensions cut by BFR75bn (€14bn), the cost of hiring labour reduced, and certain indirect taxes increased. But the unions will not let the prime minister forget that he forged a deal without them. Union federations aligned with the coalition parties have carried out rolling strike action to protest against parts of the plan, in particular cuts in

Mr Dehaene needs his negotiating skills more than his bulldozing capacity

social security and what they consider inadequate provisions for improving employment. A general strike 10 days ago caused chaos, and the socialist unions are planning a large demonstration to coincide with the summit.

Meanwhile, the government is short on popular support. An opinion poll published a fortnight ago indicated that nearly three-quarters of Belgians wanted the government to resign. As one Belgian newspaper headline put it: "Le plan

Dehaene séduit la bourse mais déprime la rue" (Dehaene's plan charms the stock market but depresses the streets).

Economists are already warning that, if the government backs down or breaks up under such pressure, the limited short-term benefits of the plan's announcement (a stronger Belgian franc, lower interest rates, rising equities) will be quickly lost, and the long-term economic consequences could be catastrophic, with the country's budget deficit spiralling out of control.

Mr Dehaene has won the support of parliament for a fast-track procedure to transform the plan into formal legislation, but he is still trying to placate unions and employers, and this week begins a further round of talks with the various sides on possible adjustments to the programme. Interviewed yesterday on Belgian television, he said changes would affect the execution of the plan, and not the balance of measures. His advisers hope these amendments will be enough to mollify the plan's opponents without dislodging the government and causing the larger problems facing the Union. Like all good scouts, he will be prepared.

Mr Dehaene is used to such political balancing acts. Since taking over as prime minister in March 1992, his government has had to produce five packages of budget measures to curb the deficit. In March, the prime minister was forced to offer his resignation to the king to persuade his coalition partners to sign up to further cuts in spending, reinforcing the impression that he is a strong captain at the head of a weak team. Before that, he managed to put together a two-thirds majority in the Belgian parliament - including opposition parties - to vote through constitutional reforms transferring Belgium into a federal state, with further powers devolved to its regions.

"He's a little bit of a bulldozer," said Mr Xavier Mahille, a political analyst at the Centre de Recherche et d'Information Socio-Politiques in Brussels. "But when one sees strong arguments against him, he is sufficiently intelligent to realise that he has to negotiate."

For the summit, Mr Dehaene will need his negotiating skills more than his bulldozing capacity. The task before EU leaders is not to come up with a programme of legislation, as the Belgian government has done, but to set out the guidelines for co-ordinated national and European policy.

But at the same time, the Belgian presidency has indicated that it will aim to strengthen the Commission's growth plans, not dilute them. Given that the Belgian government is already taking the heat at home for its proposals, that is not surprising. Mr Dehaene believes the Belgian austerity programme will make an important contribution to a European plan, but he also sees Belgium benefitting from a co-ordinated European growth and competitiveness policy leading to monetary union.

If, as Mr Mahille says, Belgium is a "little Europe", it is emitting mixed signals to other EU leaders still agonising over budget cuts. When he opens the summit on Friday, Mr Dehaene will almost certainly have to explain away demonstrators working on the streets outside the conference chamber, play down the consequent unpopularity of his coalition, and provide evidence of his government's will to implement all of the austerity plan.

But he will also be armed, unlike many of his counterparts, with concrete evidence of how his country is trying to control the larger problems facing the Union. Like all good scouts, he will be prepared.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Railtrack asset base must be written off

From Prof W P Bradshaw

Sir, How right Bob Horton, chairman of Railtrack, is to try to establish sensible financial objectives before he takes over ("Railtrack delays pricing after row with Treasury", November 30). Previous chairman of BR have accepted, without proper consideration, an impossible financial remit and found themselves taking the blame for inevitable failure.

It is absolute nonsense for the Treasury to argue for replacement cost as a basis for the valuation of railway track and other infrastructure assets. Britain's railways mainly carry subsidised passenger trains which do not even cover their direct operational costs. No asset value is ascribed to the road network with which the railways compete, neither is a rate of return set for roads. Many main lines are so dilapidated that they represent not an asset in Railtrack's books but a liability.

Add to this the vast collection of Victorian architecture where, for example, the property income at a station like Paddington is entirely absorbed in the cost of repairing Brunel's roof.

If government is really serious about attracting more freight and passengers to the railways, eventually privatising Railtrack and stimulating private sector interest in bidding to operate franchises or

finance new rolling stock, there is a strong case for writing off the whole asset base of Railtrack. A 50p asset base is far too high. A rate of return of 5 per cent might be sought on new commercial investment, where franchisees could afford to pay, but such a return will be unachievable for most of the expenditure on the social railway, and for the maintenance of listed buildings and environmental work.

If government is squeamish about writing off debt, it needs only remind itself of other privatisations where this has been necessary. Japanese railways, far busier than ours, needed massive debt write-offs in the run-up to what appears to be a successful privatisation.

It is a prerequisite of the market investing in franchises, or the building of new rolling stock for lease, that Railtrack is not dependent upon a vast annual subsidy, either direct or indirect. This is because such investors will always believe that the subsidy to Railtrack will be cut, leaving other railway associated business unviable. Bob Horton has the right target in his sights. If he doesn't win this battle with the Treasury, he would be better off going now.

Bill Bradshaw,
Centre for Socio-Legal Studies,
Wolfson College,
Linton Road, Oxford OX2 6UD

Training must match best international standards

From Mr E J Jones

Sir, It is good to see, as David Goodhart says ("Training moves up the political agenda", December 2), that training is moving up the political agenda. In engineering we welcome this renewed interest and we at EnTva - the Engineering Training Authority - together with our colleagues at the Engineering Employers' Federation, have responded enthusiastically to employment secretary David Hunt's approach. We are looking forward to the more detailed consultative process which will ensure that the initiative is much more significant than just a new vocational training scheme.

There is, however, one matter on which we should not be misled. There was a sharp decline in the number of apprenticeships in the early 1980s, but this was not only due to the abolition of most of

the industry training boards. The Engineering Industry Training Board, our predecessor, was only abolished in July 1991, and the Construction Industry Training Board still retains its standing role.

The reform of vocational training is universally seen as a key to the nation's economic success. We need to ensure that the quality and the quantity of training undertaken match the best in international standards. We shall only do that if we can win the commitment and support of both employers and individuals.

We shall not be helped if we do not address the other reasons for the slump of apprenticeship training in the 1980s.

E J Jones,
Chief executive,
EnTva,
Vector House,
41 Clarendon Road,
Widford,
Herts WD1 1HS

No offer made to arbitrate

From Sir Alastair Morton

Sir, You report me as being "prompted... to offer [my] services as an arbitrator between the two sides" - Railtrack and BR - of a dispute about the value of Britain's rail infrastructure ("Railtrack delays pricing after row with Treasury", November 30).

Please be informed I am not involved in the dispute and

have not offered my services in any capacity. Like the rest of the nation, I wait to learn just how this Railtrack-based franchising lark is going to work.

Alastair Morton,
Chief executive,
Eurotunnel,
Victoria Plaza,
111 Buckingham Palace Road,
London SW1W 0ST

Taxation: an anachronistic argument and a proposed reform

From Mr Geoff Mulgan

Sir, John Plender's interesting article on taxation ("Revolutionary forces which will destroy us once and for all", November 27) unfortunately repeated the anachronistic Treasury argument against hypothecation: namely that if taxes are earmarked, spending oscillates in line with the economic cycle rather than with need. In an era of financial sophistication there is no more reason why this should be the case for an earmarked tax than for government revenues as a whole, or indeed for businesses. Any half-way competent chief executive of the National Health Service receiving an earmarked tranche of income tax would naturally plan spending

and investment to take account of the business cycle rather than being a slave to the rigidities of the annual budget.

There are good arguments against hypothecation but, like the oft-repeated claim that because few people fully understand the uses of national insurance payments today they could in no way grasp a more transparent and earmarked tax system, this is not one of them.

Geoff Mulgan,
director,
Demos,
9 Bridewell Place,
London EC4V 6AP

From Dr J Toporowski

Sir, John Plender's article is a characteristically thoughtful

and interesting outline of Britain's fiscal crisis. However, among potential solutions to that crisis, Mr Plender omitted to mention a reform that was widely canvassed by Michael Heseltine during the late 1980s and early 1990s, while he was working with Keynes at Cambridge. In brief, he proposed a tax on the capital of companies, with generous allowances for fixed capital investment. This has two important advantages over the present system of corporate taxation, which taxes profits, with allowances for investment.

First of all, the present system destabilises government finances because corporate tax revenue falls, with profits, in a

recession when unemployment-related government expenditure rises. By contrast, a capital tax with investment allowances would increase government revenue in a recession because of the decline in investment at such times.

Second, a capital tax with investment allowances would give companies a strong incentive to invest in a recession. This encourages a sounder, investment-led recovery. In the long term, it would tend to place the economy on a more stable growth path than the existing stop-go policies.

J Toporowski,
reader in economics,
South Bank University,
103 Borough Road,
London SE1 8AA

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1994 prize, worth not less than £3,000, is:

CAN THE DEVELOPING WORLD BECOME RICHER

WITHOUT THE DEVELOPED WORLD BECOMING UNEMPLOYED?

Applicants, aged over 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. Please argue your case from the viewpoint of a particular country or industry.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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Monday December 6 1993

Next step for Renault-Volvo

Volvo and Renault are like two lovers who cancelled their wedding on the eve of the ceremony. Now they have to pick up the pieces of their broken relationship and see what can be salvaged. This will not be easy. There are bruised feelings on both sides. Jilted Renault doubts whether it can trust its Swedish partner. Volvo, on the other hand, is still fearful of being swamped by the French state-owned company.

But the future need not be as dire as predicted by Mr Per Olof Johansson, Volvo's ex-chairman and the driving force behind the failed union. In his resignation statement last week, he said the existing alliance between the two companies would certainly be dismantled.

Sensibly, both Mr Louis Schweitzer, Renault's chairman, and Mr Soren Gyll, Volvo's chief executive, have avoided such cataclysmic talk. Both say they wish to keep the alliance which consists of a network of cross-shareholdings and joint projects, alive. The French government also says it continues to believe a full merger is desirable, while some Swedish shareholders who opposed the union do not rule out the possibility of it being revived at a later date.

The current priority is to cool passions and to take a hard look at what is in the best interests of both companies. That is also essential if the French and Swedish establishments are to learn the wider lesson from the break-up: the importance of keeping politics out of business.

On the French side, this means understanding the legitimacy of Swedish concerns about merging with Renault while it is still state-owned. Until Renault is privatised, it is impossible for Volvo shareholders to know whether they are being offered fair value for their shares. The French government's insistence on maintaining a golden share in Renault also raises concerns that political interference would continue even after privatisation.

In the coming years, other state-owned or privatised companies will wish to form international alliances or mergers. If such arrangements are to flourish, Paris will need to convince outsiders that the days of political interference are over. In Sweden, there is a similar need to disentangle politics from business. Legitimate concerns over the financial side of the deal were swept up in a wider debate about Sweden's future in Europe. Volvo may now be tempted to think that it can go it alone or that its alliance with Renault can continue indefinitely as it is. This is self-delusion. Without a partner to share research and development costs and to gain economies of scale, Volvo's car division has a bleak future. The same goes for Renault's truck operations. But without trust and a shared sense of direction, no alliance can prosper.

The only practical alternatives are a complete divorce, which would free both companies to seek other partners, or a renewed effort at matrimony. After last week's dramatic events, it is hard to believe that marriage is still an option. It certainly could not be contemplated until after Renault's privatisation. But, if both parties could keep politics out of business, a union would remain the best way forward.

India's chance

Mr P.V. Narasimha Rao, India's prime minister, did not win a resounding vote of confidence in his recent state elections. But his main opposition, the Bharatiya Janata party, fared even worse. Voters' broad rejection of the BJP's Hindu militancy appears to shore up the Congress government. It now has an opportunity to press on with the economic reform programme, its main, though incomplete, achievement.

Younger companies and business people in Bombay revel in the freedom created by the end of industrial licensing and the liberalisation of trade, investment and foreign exchange. With bureaucratic obstacles reduced, there is no longer a need to shuttle constantly to Delhi, seeking licences. Foreign investors too have been gaining confidence that there has been a true change of direction.

Yet reform has still not delivered rapid growth of exports or the economy. Industrialists who once enjoyed cosy markets are complaining that they do not have a "level playing field" against foreign entrants, forgetting that the previous tilt in their favour prevented them from gaining the technological and managerial skills they needed. Mr Rao should encourage pro-reform voices to argue that Indian business needs less protection, not more. It is to compete with China and other dynamic economies to the east.

Mr Manmohan Singh, the finance minister and architect of

the reforms, needs strong support as he prepares for the budget in February. Since electoral considerations will begin to obtrude by 1995, this will be his best opportunity to make significant progress. However, his ability to do so is limited by political constraints. The determination of the Congress party to alter the way India is run - with big government and extensive patronage - will be measured by its willingness to reform and shrink the public sector, to allow companies to shed redundant labour forces and to stop banks making cheap farm loans they do not expect to recover.

Mr Singh can be expected to proceed with what he has begun. He will cut subsidies and raise administered prices (a process made more urgent by the damage which the state elections have been allowed to do to the budget deficit). He will also cut tariffs and proceed with the tax reforms designed to compensate for a fall in customs duties. He will probably allow greater private and foreign participation in financial services and in the development of infrastructure.

All such measures should be applauded, but the government will eventually have to address the broader and more demanding reform agenda, which will mean taking head on the powerful vested interests which stand in the way. There is no alternative if the country is to compete with its east Asian neighbours.

Enter Mr Delors

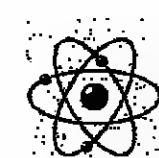
It promises to be a lively week for the debate on European industry. On Friday, Mr Jacques Delors' white book on competitiveness will be discussed by the EU's heads of government. Meanwhile, the European Round Table, consisting of 40 heads of Europe's biggest companies, has produced a counterblast against the provisions of the social chapter.

In itself, this might seem unremarkable. But according to the British members of the ERT, it represents a significant shift of opinion. Industrial bosses in Germany may have muttered in private for years over the indirect costs of labour. But in public, they have defended the contract between social partners. If they have been converted to the British view of industrial relations, this is a sea-change indeed. It might not be to count on it. The loading of social costs on to industry is partly a cyclical phenomenon. The boom years of the late 1980s, for instance, saw an outburst of environmental legislation. Now that the bill is being presented in the depths of recession, there is a perceptible ebbing of enthusiasm. The same is true of the latest batch of social measures transacted at EU level.

Mr Delors, in a speech prepared for the Confederation of British Industry last month, argued strongly in favour of the social chapter. But the fact that he felt moved to address the CBI - and, indeed, turned up to last Friday's presentation of the ERT's arguments - suggests a possible meeting of minds.

That would be very welcome. Some of the ERT's arguments deserve consideration: for instance, that social costs for a relaxation of social costs for smaller companies which are creating employment, leaving larger companies to shoulder the burden if necessary.

There is also something in the idea of a European competitive council, along US lines, which could monitor the Commission's efforts to promote key technologies. Above all, the ERT is surely sensible to argue that the creation of cheap low-tech jobs is not compatible with the creation of expensive high-tech ones later.



Any company which earns nearly half a billion pounds in six months is likely to trumpet the fact. But when Nuclear Electric unveiled interim profits of £497m last week, it was also sending a clear message to its owner, the British government: "Privatise us."

The next few months will tell whether that message got through. Any day now the government will launch a much-awaited review of the UK nuclear power industry. Although the terms of reference have still to be announced, the outcome is bound to determine whether nuclear power faces a future of growth or whether it will be condemned to decline and ultimately extinction. Nuclear Electric, the largest component of the industry with 11 nuclear stations in England and Wales, is eager to prove that nuclear power is not only necessary to the country's energy supply but able to stand on its own commercial feet.

It will be no easy task. The industry's troubled history, its unfulfilled promises of boundless cheap electricity, its appetite for state support and costly technologies, its unfavourable public image, will all have to be overcome if the review is to have a positive outcome. Doubts about nuclear power exist not only in the mind of the general public, but also among the City of London financial community which forced the government to drop nuclear power from its electricity privatisation programme only four years ago. The risks, bankers and investors thought, were too great for the private sector to bear.

This scepticism is not unique to Britain. Since the Chernobyl nuclear disaster in 1986 only two big industrialised countries have stuck to a policy of expanding nuclear capacity: Japan and France. Many others, including the US, Italy and Sweden, have moratoria or outright bans on new nuclear plants. Although disappointments with nuclear power have instilled wariness in the UK government, it does not, like other countries, have any outright objections to it. However, ministers have made clear that any development must be capable of being funded by the private sector.

"It cannot be assumed that the government will provide the finance for new nuclear capacity in the future," said Mr Tim Eggar, energy minister, in a recent speech to trade unionists. "In the context of an extremely tough spending round, why should the taxpayer be willing to fund new nuclear stations costing several billions, when this money could fund hospitals, schools or policemen on the beat?"

The industry knows that economic viability will be the central question in the review, and it has already taken steps to deal with it. Since the aborted privatisation, Nuclear Electric and Scottish Nuclear, its cousin north of the border with two power stations, have undertaken a vigorous campaign to reduce costs and cut staff. Nuclear Electric has managed to raise its share of the electricity market in England and Wales over that period from 18 per cent to almost 25 per cent. This sharp improvement has been largely due to its success in overcoming technical difficulties with its five advanced gas-cooled reactor stations that were built in the 1970s. Scottish Nuclear has achieved a 20 per cent increase in output while cutting the cost of its product by 10 per cent through improved efficiency.

Nuclear Electric has also brought in private sector blood, including Dr Robert Hawley, its chief executive who last year moved over from Northern Engineering Industries, part of Rolls-Royce, and is keen to escape from the governmental leash. Nuclear Electric's confidence that it can be sold to the private sector rests on its assertion that, as Mr John Collier, the chairman, said in announcing last week's results, "we are every bit as commercial as the privatised generators".

The main indication of this is the company's claim that it would be able to produce electricity from a newly built nuclear station at less than 3p a unit. This is within reach

Economic viability will be the big question in the government's nuclear review, write David Lascelles and Michael Smith

The heat is on for UK power

of prices in the wholesale market in England and Wales known as the electricity pool where power this year has traded at an average of about 2.6p a unit.

However, the 3p claim has been greeted with some scepticism in the markets. One reason is that it assumes a capital financing cost of 8 per cent - the figure used by the government in all its big projects. However, this is well below the level that the financial market is likely to demand. "The private sector will insist on at least 12 per cent," says Mr Gordon Mackerron of Sussex University's science policy and research unit. "Eight per cent is for very unrisky businesses. Nuclear is subjected to any number of risks - regulatory, political, insurance and accident."

The risk element has further implications. Much of the expected cost of nuclear power is the so-called back-end element needed to pay for disposing of radioactive waste and decommissioning radioactive plant. The nuclear companies set money aside for this each year, but less than will actually be needed because they assume the money will accrue interest over the decommissioning period after a plant is closed down, 50 years in the case of a new station.

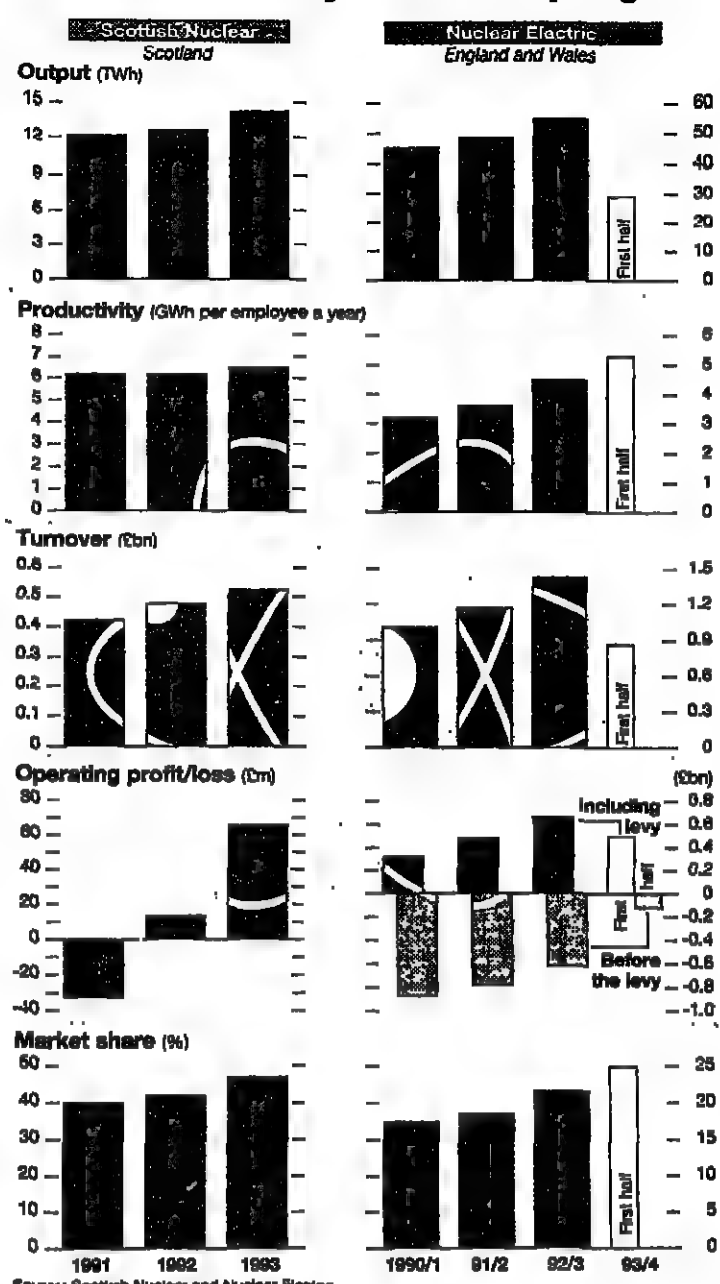
Mr Clive Bates, of Greenpeace, the environmental lobby group, sees a problem with this. "They [the nuclear companies] say their estimates are conservative but the problems come when you vary the decommissioning period. Where would the money come from, for example, if environmental circumstances forced them to decommission after 30 years?"

Nuclear Electric's efforts to project itself as a financially viable, stand-alone concern have also been bedevilled by the so-called nuclear levy: £1.8bn which is added to electricity consumers' bills every year to help build up the provisions for decommissioning. Although the levy will shrink over the coming years and is scheduled to disappear altogether in 1998, it has been held up by nuclear's critics as proof of its inability to survive as a fully commercial concern.

The accusation is misdirected, says Nuclear Electric, because the levy proceeds are intended not to create new provisions but to replace provisions which were created by the former Central Electricity Generating Board but not transferred to Nuclear Electric when it was incorporated in 1980. At the moment, the levy transforms Nuclear Electric's bottom line from a loss into a profit. Without it the latest result would have been £118m in the red. But Nuclear Electric has set itself the target of making a profit before levy proceeds by 1995.

Scottish Nuclear, which does not benefit from the levy, makes a profit - £85.8m last year - with the help of some premium-priced supply contracts with Scottish Power and Hydro-Electric. Unfortunately for Nuclear Electric's public relations offensive, however, Scottish Nuclear has recently lost its earlier enthusiasm for privatisation. Mr James Hann, its chairman, has expressed concern that some people in government think their main task is to get state-owned energy concerns "off their hands and in the quickest time possible". He thinks the nuclear power industry should concentrate on becoming more commercial before entertaining ideas of

UK nuclear industry: under the spotlight



Sources: Scottish Nuclear and Nuclear Electric

entering the private sector.

His view tends to find a strong echo in the City where industry analysts and bankers still see too much uncertainty in nuclear power for investors' comfort. "Potential investors will need a lot of convincing before they even begin to look at the industry seriously," says one observer. "There have been too many problems in the past."

However, the criterion for privatisation is not simply whether

reactors will have to be replaced if nuclear capacity is to retain its present level, and more will have to be built if the industry is to expand.

Nuclear Electric has already lodged an application to build Sizewell C, the third station on the Sizewell site, to the annoyance of the government which saw this as jumping the review gun. However, the company has also made clear that building only one station would not be enough. If nuclear is to achieve the full economies of scale and compete with other fuels, it will need the go-ahead for several more. "Sizewell C could not stand on its own. It would have to be part of a series," says Nuclear Electric's Dr Hawley who believes that nuclear needs a sustained 20-30 per cent share of the electricity market to realise its full potential.

Thus, privatisation could imply a huge commitment to nuclear power, probably on a scale that ministers would have difficulty accepting, and public opinion might not tolerate. Anticipating such opposition, the industry has been pressing the government to extend the review beyond questions of financial viability to include wider benefits which it argues nuclear can bring.

Chief among these is the environment. The fact that nuclear power produces no gas emissions could help the government achieve its

international commitments to clean Britain's atmosphere. Another is the need for a diversified energy supply to check the growing dependence on fossil fuels, particularly finite reserves of North Sea gas. A third is the substantial employment that nuclear energy creates, particularly during the construction phase. A fourth is the preservation of the skills and technology that Britain has acquired through its nuclear programme. And the fifth is a much improved safety record.

Whether ministers will be moved by any of these arguments remains to be seen. The environmental case has a hefty counterweight in the risks of radioactive contamination and the large amount of irradiated equipment which has to be dealt with when a nuclear station closes. The problem of nuclear waste management has already given the government a headache with the decision on whether to proceed with the Thorp reprocessing plant in Cumbria.

Fuel diversity is scarcely an issue at a time when Britain enjoys the widest choice of energy in its industrial history (coal, oil, gas and nuclear). Though the long lead times needed to build nuclear stations might strengthen the case for preserving a nuclear programme in anticipation of possible fuel shortages next century. At the moment, UK generating capacity vastly exceeds demand.

The technological case for maintaining a nuclear industry would need to be treated with caution. Although the UK led the world in developing civil nuclear power, it failed to capitalise on the achievement, and the most widespread technologies used elsewhere in the world are now non-British. This suggests that a privatised Nuclear Electric, freed of any obligation to "buy British", might even opt for a US or a Japanese model.

In the mind of the general public, safety is a key issue in any decision to expand nuclear power. In spite of Chernobyl, the UK industry is keen to see the issue debated because it believes that it now has a good story to tell. Mr Collier, the Nuclear Electric chairman, says: "The industry is one of the safest industries in the UK. There has never been an emergency putting the public at risk during 30 years of civil nuclear power operations." Mr Hawley says the average Briton gets a larger dose of radiation from eating a chocolate Brazil nut than from an average annual exposure to nuclear power.

There are no simple answers for the government in the forthcoming review, and ministers will have to follow a complex line of arguments.

Does Britain need more nuclear power? If the answer is yes but the government declines to pay for it, the job would have to go to the private sector. But would the City be prepared to finance the industry, and would the public be prepared to accept the expansion of nuclear capacity that would be necessary to make it viable?

There must be strong doubts about all these questions. However the government might decide that the national interest warranted special action of some kind. Ministers could, for example, take the Magnox stations off Nuclear Electric's hands and free it to enter the private sector unburdened by past liabilities. Or if they attached value to nuclear's environmental case, they could help by trading some of its decommissioning expenses as a social cost to be charged to the taxpayer. In other words the government could underwrite the liabilities.

But Mr John Baker, who argued the case for Sizewell B when at the Central Electricity Generating Board and is now chief executive of the National Power generating company, says such an outcome would need a significant change of attitude by ministers. "The government has always had rules which say that if you carry the liabilities you take the assets as well. Privatisation is for the birds unless the government changes the rules."

This is the first in a series of articles on nuclear power and the UK government's nuclear review

Changing the arts show

Next Thursday promises to be a red letter day for Britain's arts world. The 225-year-old Royal Academy in Piccadilly, Britain's most exclusive arts club, assemblies to pick a new president to replace Sir Roger de Grey, who has reached 75, the statutory retiring age.

The voting ritual is arcane. By secret ballot the 80-odd Royal Academicians can nominate anyone, including themselves. Four votes is all that is needed to make the next round, then the top two candidates fight it out, leading to a final confirmatory vote. Before the new president can take over, the RA's secretary, Piers Rodgers, must phone the Queen for her approval, and Sir Roger must hand over his golden chain of office on the staircase of Burlington House.

Since the RA has plans to absorb the adjacent Museum of Mankind and make it a museum of architecture, an architect would seem an obvious choice. The two favourites are Cambridge professor Colin St John Wilson, who designed the new British Library, and Sir Philip Dowson, founder partner of Ove Arup.

Both are over 70, which would be ideal for a stop gap, but the RAs might want a younger man to raise the cash for the new museum. The

spotlight this turns on two 56-year-old artists, Tom Phillips, an enthusiastic candidate, and Allen Jones, who has lived down his past as a pop artist as a suggestively sexist furniture.

Dios mio

What's in a name? Plenty, if you are south of the border of the United States of America.

Mexico's formal name is the United States of Mexico. It has caused no end of irritation to more independent-minded Mexicans that their overbearing northern neighbour appropriated part of their country's name.

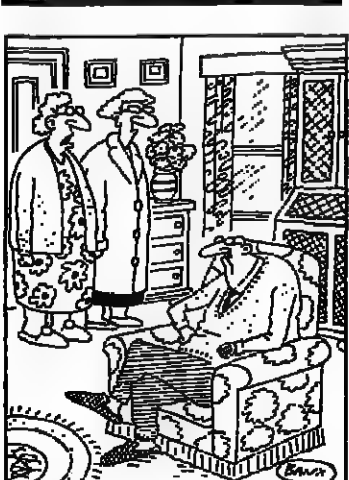
Now that economic integration with the once loathed Yankees, via the NAFTA trade agreement, is becoming a reality, some leftist politicians are preparing to do something properly to distinguish their homeland.

If they get their way, Mexico will soon be known as plain Mexico; the Republic of Mexico; or the Mexican Republic. If that isn't absurd enough, if their move fails they plan to ask the US to change its name.

Lucas's loss

Richard Giordano's appointment as the new chairman of British Gas is good news for British Gas,

OBSERVER



'He is to romance what the bubble telescope is to optics'

but it is upsetting for Lucas Industries, which is also in need of a new chairman.

Giordano joined the Lucas board last March and has been chairing the nominations committee charged with finding a replacement for Sir Anthony Gill, Lucas's 63-year-old chairman and chief executive.

Having finally persuaded George Simpson, British Aerospace's deputy chief executive, to take over as Lucas's coo, Giordano was also supposed to assist in the smooth handover of the executive leadership. Giordano had seemed firm favourite to take over as

non-executive chairman from Sir Anthony.

But Giordano is off to British Gas on January 1, so he will not have a lot of time left to help Lucas, where the new chief executive does not start until May. The net result is that the agonisingly slow reshuffle at the top of Lucas is going to take even longer.

Bank bubble

Good news for central bankers. They are in one of the few long-term growth businesses still showing no signs of flagging, according to Morgan Stanley's latest Central Bank Directory.

There were more than eight times as many central banks in 1990 as there were in 1900, and in the last three years another 23 have popped up, bringing the total to 170.

The bad news for central bankers is that job security is not what it was. In the past year, the bosses of more than a third of central banks have been changed, nearly twice the rate that might have been expected, says editor Robert Pringle, if all had seen out their full terms.

Prize for the longest suffering (sorry, serving) governor goes to Erik Hoffmeyer in Denmark, *in situ* since 1985. He is one of the lucky 19 who have been appointed for an "indefinite" term.

However, this is not always a ticket for life, as Brazil's recent central bank bosses will testify. They have served on average for less than 12 months each, despite having the same sort of deal as Hoffmeyer.

Painless exit

Meanwhile, Observer hears that the Bank of England official who probably knows more about his colleagues' views on gold than anyone else is quitting. Michael Hasitlow, the Bank's first-ever in-house dentist, is retiring after 14 years of sharpening the Old Lady's teeth.

Hasitlow seemed born to the job. His great grandfather was an ivory carver and his grandfather was a butcher. He quickly built up a loyal following at the Bank.

Although some have been known to job at his prices. On being told the charge for extracting a tooth, an official once complained that it was an awful lot for two minutes' work. "All right," said Hasitlow, "how would you like it if I took it out slowly?"

Forethought

A schoolboy writes: "I am looking forward to the end of my childhood so that I can enjoy my adulthood..."

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Monday December 6, 1993

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Discount offered to boost Credito Italiano sell-off

By Robert Graham in Rome

The Italian government is to offer a substantial discount on the shares of Credito Italiano, the country's seventh-largest bank, to launch a substantial programme of privatising industrial and financial assets over the next two years.

Today, IRI, the state holding company, will be offering its controlling 64 per cent stake in Credito to institutional and private investors at L2,075 (\$1.24) per ordinary share. This is a discount of 3.6 per cent on Friday's close of L2,100 but considerably more on the previous six months' average price of L2,450.

The discount is further sweetened by a bonus share offer. Credito is promising a 1-for-10 bonus (with a ceiling of 1,500 new shares) to all those who take up this week's offer and retain their shares for three years.

IRI is offering 17 per cent of

savings shares at L1,707. With the payment of L160 per share these can be converted into ordinary shares. The whole operation is expected to raise L1,330bn towards relieving IRI's financial problems.

Bank officials predicted on Saturday, when the pricing decision was unveiled, the shares would be oversubscribed between five and six times. Among the around 400 foreign institutions contacted, several said they would bid for the maximum 2 per cent per month.

Mr Romano Prodi, head of IRI, said the pricing policy had been based on the advice of Goldman Sachs, global co-ordinator for the Credito privatisation. The valuation had been carried out by J.P. Morgan.

"The sale of Credito will change the history of our country: the state will no longer be the owner of Italy's biggest banks," he said.

"This will accelerate the cre-

ation of a proper economic democracy in Italy." Credito is one of three leading financial institutions controlled by IRI, while, over all, the state still controls almost two-thirds of the banking sector.

Mr Giuseppe Bruno, Credito's chief executive, said the bank was hoping to pick up 100,000 new shareholders as a result of the privatisation.

Bank employees are being offered saving shares at L1,707 each. The minimum purchase has been fixed at 2,500 shares. Private Italian savers are expected to be allocated at least 40 per cent of the shares.

Over the weekend, Italian analysts were quoted as being satisfied with the pricing. They said the market had been expecting a figure between L2,000 and L2,100. However, foreign brokers said they felt the government might have underwritten a successful first public offer of state assets.

Alliances usher in new era

Andrew Adonis on the challenges faced by phone regulators

The speed of change in the telecommunications world is posing unprecedented challenges to regulators on both sides of the Atlantic. For Europe, the international link-up set to be announced tomorrow between France Telecom and Deutsche Telekom, the French and German state operators, will pose them in acute form.

The pressure comes from three sources. • Liberalisation. A decade ago, the UK and the US started the global trend towards open competition. In the US, "Ma Bell" was broken up into American Telephone and Telegraph and seven regional operators; AT&T was left with the long-distance business but subject to competition. In the UK, privatisation of British Telecommunications went hand in hand with the licensing of Mercury as a long-distance competitor. Since then the UK has allowed in further competitors, including US regional operators building cable television and telephone networks.

In June the European Union agreed that all EU national telephone operators would be obliged to allow "voice" competition from 1998 - with extensions for four poorer states. There is widespread concern that a Franco-German link-up before 1998, bringing together the world's second- and third-largest operators, will "sew up" much of the European market in advance of 1998.

Apart from banning any alliance, the European Commission has two other options. It might make consent conditional upon an acceleration of competition. And/or it might extend competition to infrastructure, so that competitors can build their own networks and not be obliged to buy capacity from existing national operators. Under the June accord, the Commission is not even obliged to publish a proposal on the infrastructure issue until January 1996.

• Alliances. The era of telecommunications companies as national monopoly utilities is rapidly waning. In their place, what Mr Iain Vallance, chairman of BT, calls the "complex hybrid" - part national utility, part international competitor, in



Technicians lay cables in Wiltshire to pipe television and telephone services into homes. The UK allows these new networks to compete with British Telecom but the EU has only sanctioned telephone competition over existing public networks.

an increasingly vigorous market to challenge operators in their home countries and provide cross-border services to transnational companies.

The industry believes alliances are *de rigueur* for the complex hybrids, particularly in Europe with its patchwork of medium-sized and small operators. Three European alliances already exist: BT has teamed up with the US operator MCI; Unisource brings together the Swedish, Swiss and Dutch state operators, with the Spanish joining as a kind of associate member last week; and Sunetcom will link France Telecom and Deutsche Telekom. AT&T is also looking for a European partner.

How close should the alliances be allowed to become - particularly those between the larger operators? And who should police them? The EU has no equivalent of the US Federal Communications Commission. If the French and Germans are allowed to team up, say the critics, their governments, nervous about competition, are unlikely to strive hard for open access to their home markets, while the

EU will find itself in a weak position to monitor their activities.

• Convergence. Meanwhile, the worlds of telecommunications, computing, and entertainment are rapidly converging. Three spectacular alliances in the US - AT&T with McCaw, US West with Time Warner, Bell Atlantic with TCI - have been formed in the past six months alone, while BT proclaims itself anxious to join the same game if UK regulatory hurdles are lifted.

From this perspective, the Franco-German alliance might be seen as a conservative, almost irrelevant step in the global telecommunications industry. Constructing bigger telephone and data networks may matter less than developing innovative multi-media services to carry over them.

Perhaps, but for the European Commission grappling with the Franco-German alliance, today's world will be challenge enough. And that means developing an open, coherent structure for competition - whether in 1998 or before.

The Markets this week

Starting on page 19

PETER MARTIN: GLOBAL INVESTOR



France's decision to move towards private sector pension funds will transform the French equity market. Over the next decade it will mean profound change for the pattern of ownership and the behaviour of shareholders and management. Page 19

EDWARD BALLS: ECONOMIC EYE



Comparing unemployment rates across countries ignores the sexual revolution in the world of work over the past two decades. They understate falls in male employment, and ignore the rise in female employment. Page 19

Bonnie: The Bundesbank could face an uphill struggle in the government bond market next year given enormous state borrowing requirements. Page 20

Equities: The tug-of-war between bulls and bears will continue to make its mark on US stock markets this week. Page 21

Emerging markets: So you want to invest in China? Everybody does. But it is still struggling to throw off the inefficiencies of central planning. Page 21

Currencies: Today's French repo tender will be the focus of market activity as traders wait to see whether the franc continues its rise. Page 25

STATISTICS

Base lending rates	27
FT-A World Indices	27
Foreign exchanges	27
London recent issues	27
London share service	27-29
Managed fund service	23-27
Money markets	25
New int bond issues	21
World stock mkt indices	22

Goldman Sachs partners to get \$5m profit share

By Norma Cohen and Patrick Harverson

Partners of Goldman Sachs, the US-based global investment bank, will all receive a minimum profit share of \$5m this year, according to a bank insider.

The record profit shares - which are added to each partner's capital account at the firm and can only be withdrawn at retirement - reflect the dramatic leap in Goldman's profitability this year.

The Canadian Bond Rating Service estimates that Goldman made \$2.3bn pre-tax profits in the first three quarters of 1993, up from just \$940m in the same period the year before. As a result, even the most junior partner will receive \$5m and those further up the list will receive far more.

The 161 partners, of which 26 are based in London, can with-

draw their capital from the firm over a phased period after they retire or quit. While they remain at the firm, they can receive interest at a fixed rate on their capital.

Separately, it emerged that up to 70 Goldman executives working in the London office - including the 26 partners - would receive total remuneration this year in excess of \$1m, making it one of the most generous UK payers. London-based employees below the level of partner were recently told they would receive annual bonuses equal to at least 30 per cent of basic salary.

The big increase in earnings and bonuses at Goldman is the latest evidence that the long boom in profits on Wall Street shows no sign of slowing down. For the past three years, US securities houses and investment banks have earned record profits, thanks primar-

ily to extremely low interest rates in the US and overseas.

Low interest rates have boosted stock and bond prices to record highs, spurred unprecedented demand from institutions and individuals for stockbroking services, and persuaded thousands of companies to raise funds by issuing debt and equity on the US capital markets, which has generated huge underwriting fees for Wall Street.

Like many of its competitors, a significant portion of Goldman's profits have come from its proprietary trading activities, in which the firm uses large amounts of its own capital to bet on the short- and long-term direction of securities, currencies and interest rates. Goldman's need for capital to conduct proprietary trading explains why the firm cannot allow its partners to withdraw profit shares in cash.

BT anger over European rules

By Andrew Adonis in London

British Telecommunications will seize on a far-reaching alliance between the French and German state telecommunications operators, set to be announced tomorrow, to campaign for a rapid dismantling of barriers impeding competition over existing public networks, and delayed its introduction until 1998.

In a speech to an FT conference tomorrow, BT chairman Mr Iain Vallance will also vent BT's mounting frustration that over-regulation of its UK business is holding it back.

In an outspoken attack on the European Commission, Mr Vallance will call on it to abandon attempts at tight "utility-style" regulation and instead produce early proposals to allow competing networks to be built on the continent.

So far, the Commission has only agreed to allow competition over existing public networks, and delayed its introduction until 1998.

Describing the UK as the "best bed" for the new age of competing multi-media services, Mr Vallance will step up BT's complaint that overseas

operators, particularly the US regional Bell companies building cable and mobile networks in the UK, are free to provide a broader range of services to UK customers than BT itself.

"Over the last decade, the UK has been conditioned to believe that, for companies, big is inherently bad," he will warn. "The trouble is that the rest of the world does not."

Citing recent moves by US telephone companies into the cellular mobile and cable sectors, he will note that BT "may do neither of these things in its home market, because of the

[regulatory] bar imposed on true convergence". Although BT has a part share in mobile phone operator Cellnet, its freedom to integrate "fixed" and "mobile" services is circumscribed.

Mr Vallance is concerned that BT faces a "utility trap" of detailed constraints on its pricing and deployment of technology, while hostile alliances form against it on the continent. BT is also anxious to prevent a Franco-German alliance forming long in advance of the opening of European markets to full competition.

This week: Company news

DEUTSCHE BANK

No apologies for defying the recession

Tomorrow Deutsche Bank will round off what has been a resplendent interim results season for the big German banks.

As the 10-month figures from Dresdner Bank, Commerzbank and Bayerische Hypotheken- und Wechsel-Bank have shown in the past two weeks, and from Bayerische Vereinsbank today, 1993 is set to be a record year for the German banks.

Deutsche Bank, the largest of them, with profits that tend to be as big as those of the next three competitors put together, is unlikely to have escaped this benevolent trend.

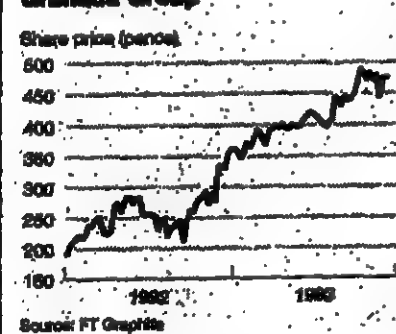
It is thus likely that Mr Hilmar Kopper, chief executive, will find himself in the same position as Mr Jürgen Sarrazin, his opposite number at Dresdner Bank, who last week defended the German banking sector's right to make profits in the recession. Mr Sarrazin said that a frail financial sector would push the economy even deeper into crisis.

As at the other banks, the main impetus for growth at Deutsche is likely to come from buoyant securities trading. Strong equity, bond and derivatives markets have pushed up income from own-account trading and generated handsome commissions from dealing on others' behalf.

On top of that, income from the mainstream lending business has hardly died away, as loan demand has held up despite the recession, especially at the longer end where interest rates are near post-war lows. These factors mean that the banks are well insulated from the effects of mounting credit risks.

Mr Ian McEwen, banking analyst at Merrill Lynch in London, predicts that Deutsche will report operating profits up a vigorous 16 per cent to DM4.36bn, after provisions against bad and doubtful debts. The comparison is against 10 twelfths of 1992 profits, as is usual for German banks.

Granada Group



GRANADA Takeover watchers hold their breath

Whatever the circumstances, the full-year results of Granada, the UK leisure, television and computer services group, are bound to be interesting on Wednesday.

Of course investors are keen to find out whether Mr Gerry Robinson, the chief executive who produced a 129 per cent increase in pre-tax profits to £130m last time can again work a little magic. There is also the question of how well the £260m acquisition of Sutcliffe, the contract caterer, is doing. Analysts are looking for pre-tax figures of around £165m for the year.

On this occasion, however, all minds will be concentrating not on the dividend or the prospective p/e, but on when Granada is going down the takeover trail blazed by Carlton Communications last week in its agreed bid for Central. For most observers it is only a matter of when rather than whether Granada goes for London Weekend Television, in which it already holds 20 per cent.

Gerry Robinson seems to be holding off for two reasons - the high price of LWT and reluctance to upset the government by mounting a hostile bid before parliament has had its say on the rule change. Wednesday could therefore be a most interesting day. By coincidence the results are coming out on the very date that the resolution to change the ITV ownership rules is due to be debated by MPs.

OTHER COMPANIES

Paramount bid at legal milestone

The takeover battle for Paramount Communications reaches a potentially crucial milestone on Thursday when the Supreme Court of the state of Delaware hears an appeal by Paramount against a lower court ruling, which levelled the playing field between rival bidders QVC Network and Viacom.

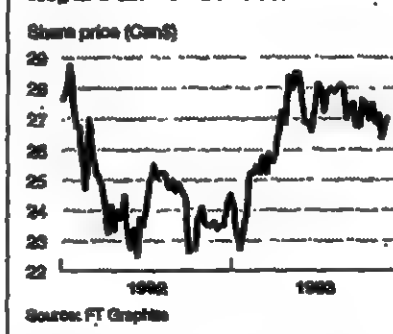
The lower court blocked a friendly \$5.5bn takeover of Paramount by Viacom, saying that the Paramount board had acted wrongly in not seriously considering a hostile \$10.5bn QVC offer and in negotiating a "lock up" agreement with Viacom which financially penalised rival bidders.

■ Scottish & Newcastle: First-half results from the UK brewing and leisure group, due today, are expected to be slightly ahead of about £108m. Lower brewing profits are forecast, reflecting the fierce competition in the free trade and take-home market. Pub profits, however, should be boosted by increased food sales.

■ Royal Bank of Canada: the country's biggest financial institution, is expected to announce a fourth-quarter loss of about C\$425m on Tuesday. Besides setting aside extra provisions for sour loans, the bank will be hit by C\$430m in restructuring charges stemming from its recent acquisition of Royal Trust and the streamlining of its own workforce by about 5 per cent, eliminating 4,100 jobs.

■ CS Holding: The rosy state of Swiss banking is likely to be confirmed by

Royal Bank of Canada



Rainer Gut, chairman of CS Holding, when the financial services group built around Credit Suisse seeks shareholder approval at an EGM on Tuesday for its plan to buy up all the shares of Leu Holding, a Zurich private bank, that it does not already own.

■ Siebe: The controls and engineering group is expected on Tuesday to report an increase in interim pre-tax profits from £20.3m to more than £20m. Interest will focus on Eckardt, the German business it bought last month, and the pace of recovery in international markets - particularly the US, where the white goods sector seems to be picking up.

■ Pilkington: High operational gearing in the glass-making business makes forecasting difficult and pre-tax profit estimates, for the six months to September, range from a small increase to a doubling. Better profits in the UK and US will be partly offset by declines in continental Europe. Pilkington, which reports on Thursday, is expected to rebalance its dividend to leave the annual total unchanged.

Companies in this issue

Aktours	18	ESB	18	Mirnet	18
Arab Banking Corp	18	France Telecom	18	Morgan Stanley	18
British Telecom	16	Globex	16	Premia Trust	18
Credito Italiano	16	Goldman Sachs	15	Property Trust	18
Daimler	18	Holte-Holststoff	18	Reed Elsevier	18
Deutsche Telekom	16	Incentive	18	Sava & Propper	18
				Stora Ström Bank	18
				Ward Holdings	18

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COMPANIES AND FINANCE

S&P drops launch of high income unit trust

By Christine Buckley

Doubts over the ability of high income unit trusts to offer double-digit income have been raised by the sudden decision of S&P to launch such a trust. S&P's abandonment of the high income unit trust comes just weeks before its launch in the New Year and was attributed to a lack of confidence that investors' capital would be preserved.

Mr Ken Emery, S&P's technical director, said yesterday: "We have been running models with dummy portfolios for some time and in the end we were not confident such a high level of income could be achieved without eroding capital."

S&P had been looking at the

feasibility of a cocktail of financial products that could produce a 10 per cent income for a high income fund. Typically, such funds - which are offered by Foreign & Colonial and Morgan Grenfell - employ options, shares and cash.

But S&P's decision to drop the new product poured doubt on the feasibility of generating high income while preserving capital. "We found that there is a half-life, although the rate of the erosion is difficult to calculate because of variable interest rates," said Mr Emery.

However, Mr Nigel Legge, managing director of James Capel Unit Trusts, maintained that high income unit trusts were not necessarily a minefield that investors should avoid but the element of risk should be appreciated. "The

issue is how opaque they are. It is a question of how clearly products like these should be presented."

Mr Legge said that while large returns on investments in equities are proven, that message is not always understood by investors. "Shares are by far the best asset to beat inflation and I'm not sure that is generally realised."

And he added that when derivatives enter the equation in a unit-trust product, then the task of making transparent that product to investors is exacerbated.

S&P has not abandoned the idea of a double-digit unit trust but prospects of offering one are slight. "We will keep it under review but unless we see something new it is highly unlikely," said Mr Emery.

Tracking the behaviour of stock pickers

Norma Cohen on a Citywatch survey taking in 50 of the UK's largest fund managers

A group of 12 leading fund managers account for half the "stock-picking" behaviour of the UK stock market, disproportionately contributing to the volatility of individual share prices, according to a new study.

The study, conducted by Citywatch, a City Information service which monitors institutional shareholding, concluded also that many fund managers do very little real stock-picking. Instead, their choices closely mimic the relative value of shares within the FT-All-Share Index although they do not necessarily describe themselves to clients as index trackers.

"There certainly are closet indexers out there who do not take any bets on stocks," said the chairman of one leading UK fund management company. "Clients may well ask themselves why am I paying active management fees for passive management?"

The Citywatch survey included 50 of the UK's largest fund managers measured by asset size. However, of these, several are in-house managers who do not compete for clients and a number are UK insurance companies whose clients

Fund managers' holdings and stock picking activity					
	Average % holding in UK stocks	Standard deviation from average*		Average % holding in UK stocks	Standard deviation from average*
High activity			Low activity		
M&G	0.77	2.08	Postal Inv Mgmt	1.48	0.23
Clifford Medical	0.42	1.94	Legal & General	1.07	0.28
Confederation Life	0.33	1.87	ESN Pension Mgmt	1.02	0.35
Guardian Royal Exchange	0.40	1.80	County Natwest IM	1.05	0.54
Abu Dhabi Inv Auth	0.67	1.78	Barclays Trust IM	0.49	0.44
Lucas Pension Trustees	0.34	1.78	British Gas Corp	0.63	0.48
British Assurance	0.51	1.78	Shed Pension Trustees	0.51	0.50
Belliford	0.43	1.70	British Post Pmt Trustees	0.51	0.51
Prudential Mutual	0.48	1.65	General Accident	0.51	0.55

* Variation in share of holdings in an individual's portfolio, adjusted for the individual's size. High deviation indicates strong stock-picking behaviour. Low deviation indicates index-tracking behaviour.

consist largely of their own policyholders.

The data was gathered by examining the share registers in early November of all UK traded companies with a market capitalisation of £500m or above. Citywatch identified the ultimate holders behind the nominee companies and was able to distinguish which shareholders controlled each group of shares.

Mr Mark O'Hare, chief executive of Citywatch, says the data also has implications for companies' relations with their shareholders. It might be argued that directors should focus their attention on improving communication with stock-pickers who will dump or buy shares depending on their perception of the company. There could be less value in wooing shareholders who

are likely to maintain an indexed holding in the company regardless of its prospects.

Citywatch approached its analysis by first identifying the average percentage of individual company shares held by each manager and the difference between each manager's largest and smallest percentage holdings. Researchers then calculated a standard deviation, the extent to which a manager's percentage shareholding varies from one company to the next. It is this calculation which is said to indicate stock picking behaviour (see table).

The study found that M&G, the UK-based unit trust company, had the greatest propensity to stock pick. Others who rank high on the list of stock-pickers include Edinburgh-

based Baillie Gifford, Clerical Medical, Gartmore Investment Management, Guardian Royal Exchange and Phillips & Drew Fund Management.

Mr Paul Myers, chairman of Gartmore, which is in the most active 15, says he is not surprised by the findings. "M&G has a pronounced value style focusing on recovery stocks," he said. By contrast, Gartmore, has a management style which emphasises so-called growth stocks. If a manager makes selections based on changes in, say, share price-to-book value, he is by definition a stock picker.

However, the fact that a manager stock picks does not tell you everything you need to know about his style, according to Mr Myers. Gartmore ranks equally with PDM on stock-picking "but we are mir-

ror images of each other". While both managers have outperformed the industry average in recent years, PDM looks for stocks with a low price-earnings ratio, a very different approach from that of Gartmore.

Not surprisingly, Citywatch found the lowest propensity to stock pick evident among fund managers whose avowed policy is to manage an index-tracking pool as part of their UK equities portfolio. Heading this list is Postal Investment Management with several large in-house managed funds close behind.

Pension scheme consultants who advise clients on picking a fund manager said the views they have formed from a more qualitative assessment of styles. However, they cautioned against relying solely on that type of analysis to form judgments.

"You have got to know about each manager's client base," says Mr Michael Coop, assistant investment consultant at actuarial firm R Watson and Co. The tendency to stock pick may be as much a reflection of the type of mandate the manager has won, as it is of style.

Also, because the data only examined the larger companies traded on the London Stock Exchange, a manager who stock picks heavily among smaller companies would not show up.

Reed Elsevier pension warning

By Norma Cohen, Investments Correspondent

Reed Elsevier, the Anglo-Dutch publishing and information business, has announced that tax changes on pension schemes announced in March would reduce its 1993 operating profits by \$19m.

There would be no cash flow effect on the company's earnings

and its contributions holiday could continue for several more years. However, because of the S&P 24 accounting rule for pension expense, a reduction in the pension scheme surplus would be reflected both in the company's balance sheet and its profit and loss statement.

Mr Nigel Stapleton, chief financial officer of Reed Elsevier,

said the reduced profits would be more than offset by a recent slight improvement in UK and US trading conditions and the pre-tax profit contribution from the Official Airline Guides acquisition completed in September.

The pensions credit added \$28m to operating profits in 1993 but that would fall to \$3m for 1994.

and process mineral resources which encompass gold, silver and copper. Minmet anticipates to make an initial investment of up to \$3m (\$2m) over two years for the production enhancement of two proven gold deposits. Others will be developed later.

The equity split will be 60 per cent to Vesoly and 40 per cent to Minmet.

initial yield of 11.7 per cent.

The purchases will be financed by existing cash resources and bank finance. Gross annual rental income from the properties is currently about \$414,000.

Premium Trust allocation

The Premium Trust offer for subscription for 3.3m units, which was increased from 3m units, has been fully subscribed with no scaling down required. Accordingly, the number of issued ordinary shares of Premium Trust and Premium Underwriting will be 18.8m and 13.2m respectively. Total raised under the offer is \$33m.

Ward shares tumble on loss warning

Shares in Ward Holdings fell 5p to 35p on Friday after the householder and property group revealed that an exceptional provision in the results for the year to October 31 would force it into the red.

In August the group said that it intended to review the value of its land bank and property assets at October 31.

The review revealed that for certain residential land there was "a substantial surplus over book amount", but that accounting conventions dictated that this could not be

reflected in the figures for the year to October.

The valuation also revealed that a provision was necessary against the book value of other residential land and industrial properties. This, along with other provisions, total \$2.4m.

Ward said that borrowings had continued to be paid down. At October 31, they were \$3.8m (\$30.6m).

Airtours appointment

Airtours, the holiday group, is expected to announce today that it has appointed Mr Roger Davies as chairman of its retail division.

Mr Davies, 48, is one of the travel industry's most experienced figures, having served as chairman of the Thomson Travel Group from 1984 to 1989.

Airtours, which announces full year results today, has recently purchased the Hogg Robinson and Pickfords travel agents' chains, making it the second biggest holiday retailer after Lunn Poly, which is owned by Thomson.

Minmet in joint Russian venture

Directors of Minmet, the mineral resources group based in the Irish Republic, have signed a letter of intent to create a joint venture company with Vesoly Mine in the Altai Republic of Russia.

The company will extract

Property Trust acquisitions

Property Trust has acquired the freehold interests in two high street retail premises at 1-30 Stratford High Road, London SW1, and 207-213 High Street, Dorking, Surrey for a total of \$2.54m, representing an

initial yield of 11.7 per cent.

The purchases will be financed by existing cash resources and bank finance. Gross annual rental income from the properties is currently about \$414,000.

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Bank of Greece

US \$60,000,000

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The interest payable on June 6, 1994 will be US \$2,125.00 in respect of each US \$100,000 Note.

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COMPANIES AND FINANCE

Summit fails to resolve CBoT feud with Globex

by Laurie Morse in Chicago

The summit between the major participants in the Globex electronic futures trading system has made clear that unless the Chicago Board of Trade makes operational concessions demanded by Reuters, it will be left out of the Globex system next year.

At the same time Reuters and the joint venture committee that runs Globex are clearing the obstacles that have kept Liffe, the London International Financial Futures and Options Exchange, from joining the system.

"We are facing the possibility that Globex will go on as a partnership between the Chicago Mercantile Exchange, Matif and Liffe, without the Board of Trade," said one executive close to the meetings.

Mr Jack Sandner, CME chair-

man, Mr Patrick Arbor, chairman of the CBoT, and Ms Rosalyn Wilton, Reuters project manager for Globex, attended the summit.

None of those attending last week's meeting was willing to comment on the proceedings. But officials said privately that Reuters' patience with the CBoT had grown thin and, while the company was willing to continue to take losses on Globex, it wanted participating exchanges to help boost volume on the system.

Reuters wants the CBoT, the world's busiest futures exchange, to list its agricultural contracts on Globex, and to list its giant US Treasury bond futures and options contracts for much longer trading periods.

Reuters is also worried that the CBoT's Project A electronic trading system will become a

direct Globex competitor and wants it abandoned. The CBoT has resisted these changes.

The 18-month-old Globex recorded turnover of 608,719 contracts in November, up 88 per cent from 1992. Paris's Matif contributed 78 per cent of that volume, while CME generated 13 per cent, and the CBoT 9 per cent.

While growing steadily, Globex volume is far below targets, and its under-performance is expected to result in a major restructuring when operating contracts reopen this spring.

Reuters, the CME and the CBoT are currently joint venture partners in the system. Officials expect a reorganised Globex to give equal governance powers to all participating exchanges, a feature that would lure Liffe, and other exchanges, on to the system.

Bahrain bank owns 6% stake in Rinascente

Niall Simonian in Milan

Arab Banking Corporation (ABC), the Bahrain-based financial institution, has become the second-biggest shareholder in La Rinascente, Italy's leading retailer, with about 6 per cent of the total capital.

Banque Pictet, a Geneva-based private bank, will also become a big Rinascente stockholder with about 2 per cent of the total capital as part of the same transaction.

The two stakes stem from rights to Rinascente shares not taken up by IRI and IFI, two stock-market quoted holding companies indirectly controlled by the Agnelli family. Through IFI, the Agnelli-controlled Fiat, the former owner of Rinascente.

After a recent complex transfer of control of Rinascente from Fiat, IFI now has a controlling 33 per cent stake in Rinascente. Under the terms of that transaction, Fiat offered its controlling 46.8 per cent stake in Rinascente to its own shareholders at L.500 a share.

Under an agreement with the Italian stock exchange authorities, IFI and IFI, its parent company, declined to take up the rights to Rinascente shares they were entitled to as Fiat shareholders.

Separately, IFI launched a public tender offer to buy up to 33 per cent of Rinascente's stock.

Generali, Italy's biggest insurer, said group premiums rose by 30.5 per cent in the first nine months of 1993 to L13,740bn (\$8.02bn).

Adjusted for exchange rate changes, the overall increase was 12.4 per cent, with life insurance premiums climbing by 17.7 per cent, while non-life premiums increased by 9.3 per cent.

The group gave no profits forecast, but said its claims ratio on its domestic non-life business had continued to improve, while underwriting earnings abroad remained under pressure.

State Street gains Australian branch licence

By Nikki Teit in Sydney

State Street Bank and Trust Company, the US custodian bank, has been granted a branch banking licence in Australia.

State Street, the largest custody services provider in Australia, is the third overseas bank to be granted a public sector infrastructure spending in western Europe.

At a presentation in London, Mr Pitt Treumann, a senior EIB official responsible for lending throughout the European Union, said the bank's lending and borrowing were "demand-driven".

If factors like the move towards privatisation in several countries slowed down demand for infrastructure financing, this would influence the EIB's need for funds on capital markets, he said.

The bank will invest \$3.8m in a 17 per cent stake and lend \$1.1m to a joint venture between EIB, Kothari, a Madras-based commercial group, and Pioneer Group, a US fund management company with its head office in Boston. The partners hope to raise \$900m for the two funds.

Another three foreign companies are not far behind Kothari and Pioneer. Credit capital, the Indian affiliate of

US bank to expand in Germany

By David Waller in Frankfurt
Morgan Stanley, the US investment bank, intends to double the size of its German operations within the next 18 months.

Mr Richard Fisher, chairman of Morgan Stanley worldwide, said in Frankfurt the plan was to take the headcount from around 80 at its Frankfurt office to double that level.

The expansion, which will be across all divisions, is the latest sign of the increasing attractions of Finanzplatz Deutschland - Germany as a financial centre - for the international investment banking community.

The leading international investment houses have in most cases had Frankfurt offices since the mid-1980s but many institutions are keen to expand. Goldman Sachs, a late arrival which opened its Frankfurt office only in 1990, has doubled its personnel to 120 since last year.

Mr Fisher said the main reason for the planned expansion was the likelihood of further globalisation of international capital markets. He predicted

that the German financial world would become more "Anglo-Saxon" as capital markets opened up further to international investors.

"The German capital markets will evolve considerably in the next few years," Mr Fisher said, "increasing in liquidity and the diversity of investor interests."

The recent decision to site the European central bank in Frankfurt was not a deciding factor behind the decision, he argued. It merely strengthened the arguments for stepping up the institution's commitment to Europe's largest economy.

He denied that the expansion would be at the expense of its London operations, where the institution employs 1,400 out of a total European headcount of 1,800 staff. Currently much of the firm's German business - in areas such as mergers and acquisitions and equity research - is handled out of London but Mr Fisher was unwilling to be drawn on whether staff would be transferred out of London to Frankfurt.

Morgan Stanley's German



Richard Fisher: chairman of Morgan Stanley worldwide

operations are headed by Mr Hans Peter Peters, a former main-board director of the powerful Westdeutsche Landesbank.

The firm is especially strong in the capital markets area: Mr Peters said that in the year to date Morgan Stanley had underwritten DM12bn (\$7.1bn) in capital, up from DM4.2bn last year, making the firm the leading non-German under-

writer for D-Mark issues. It has lead managed 53 capital-raising issues in Germany this year, up from 27 last year.

Mr Peters also pointed to successful M&A transactions on which the firm has advised recently - for example it advised the privately-owned Gustav and Grete Schickelshaus Holding group on the sale of its tissue business to Procter & Gamble, a deal completed last week with a value estimated at DM1bn.

Mr Fisher also said the firm would remain true to its commitment to Germany even if business conditions retreated from current levels.

Foreign investment banks, like their domestic counterparts, have prospered amid buoyant securities markets this year and a perceptible increase in the willingness of German companies to appoint foreign financial advisers.

In Germany, however, there is a lingering mistrust of foreign institutions' staying power because many have withdrawn from the market after encountering severe difficulties.

Incentive returns 55% ahead

By Christopher Brown-Humes in Stockholm

Profits at Incentive, the Swedish industrial group controlled by the Wallenberg family, rose 55 per cent to SKr45m (\$40.9m) in the first nine months, excluding associated companies.

The company started to feel the full effect of the Swedish krona's depreciation in the third quarter, after the expiry of hedging programmes, adding to the benefits of cost-cutting and lower capital costs it was already experiencing.

The profits improvement would have been greater but for a SKr70m charge for restructuring within the group's marine unit, Högglunds.

Market conditions remain disappointing, the company warned, even though there was a pick-up in the volume of orders in the latter half of the period.

Sales at SKr8.33bn were down 3 per cent in underlying terms from last year, because an upturn in the North American and Asian markets was unable to offset continuing

weakness in Europe, particularly in the Nordic region.

Orders rose to SKr8.12bn from SKr8.45bn.

If income from Incentive's stakes in Asea, Electrolux and Esab are included, profits were up by 34 per cent to SKr1.07bn. The main impact came from Asea, which lifted its contribution to SKr665m from SKr485m.

The group says its full year result, excluding associated companies, will exceed last year's SKr377m, with the final quarter expected to show an improvement on the corresponding 1992 period.

Holvis-Holzstoff warns of loss

By Ian Rodger in Zurich

Holvis-Holzstoff, the Swiss non-wovens and paper distribution group, said it could record a net loss this year because severe price erosion in non-wovens markets was forcing it to make large revaluations of assets.

The group, in which two British institutional investors hold large minority stakes, also revised its 1993 trading profit forecast down from SFr44m to about SFr35m (\$32.4m). Last year, its trading profit was SFr47.3m.

Pedro Reiser, Holvis chief executive, at a press confer-

ence in Zurich, said the board would decide when the 1993 results were in whether or not to pay a dividend. Holvis paid an unchanged SFr11 per share dividend in 1992 results.

Mr Reiser said prices of non-wovens, which are used in napkins, tampons and a growing number of medical and surgical garments, had slumped about 20 per cent since 1990.

This was due partly to suppliers expanding capacity in anticipation of rapid growth, partly to competitors in weak currency countries undercutting prices and partly to pressure from big customers, such as Procter & Gamble.

Mr Reiser expected prices to continue to weaken in 1994 as competition in the nappy market intensified.

The group's cash flow would be negative both this year and next because of a high level of investment to secure its position in the medical and other high-margin segments of the non-wovens business.

The group said in August it was reassessing the competitiveness of some of its production units in countries with strong currencies, but expected to meet any costs from existing reserves. It said yesterday this reassessment "might lead to extraordinary write-offs".

Liffe sets fresh record for November trade

By Conner Middelmann

The London International Financial Futures and Options Exchange (Liffe) traded a new monthly record of 10,987,943 futures and options contracts during November, an increase of 86 per cent over November 1992.

It was the third consecutive record month and represents a 5 per cent rise on the previous record in October 1993.

The continued volatility in European financial markets in November - especially in the UK and Italy - led to heavy trading and hedging activity during that month.

On the French Matif futures and options exchange, trading volume in November totalled 6,514,506 contracts, an increase of 40 per cent over November 1992.

In November also, some 471,703 Matif contracts were traded on Globex, the electronic trading system, representing 77 per cent of all Globex volume that month.

Daewoo may acquire stake in Bulgarian bank

By John Burton in Seoul

Daewoo, South Korea's fourth-largest business group, is considering acquiring a 49 per cent stake in Parva Chastna Banka, a Bulgarian bank.

"The proposed deal is part of Daewoo's strategy of helping finance South Korean investment in eastern Europe by acquiring interests in local financial institutions," Daewoo said. It has already bought a

stake in a Hungarian bank and securities firm.

Daewoo has indicated it is interested in investing in Bulgarian hotels, cement plants and telecommunications.

But the company added that the proposed Bulgarian bank acquisition "will take some time to be completed". It is waiting for an asset valuation of the bank to determine a price for its share. The deal must also be approved by the bank's shareholders.

Kugelfischer sees improvement

FAG Kugelfischer, the German ball-bearing manufacturer, said its third-quarter operating loss declined "noticeably" and it expects improvement to continue in the fourth quarter of the year, Reuter reports from Frankfurt.

While the company did not give any specific figures, it attributed the improvement to its restructuring programme. Group sales for the full year

are forecast at around 15 per cent lower than in 1992, at about DM3bn (\$1.7bn).

The company attributed that drop to the divestiture of some of its subsidiaries and units.

Kugelfischer said 10,400 jobs had been shed in the first nine months of the year - a third of the 31,000 workforce at end-1992. By the year-end, about half of last year's number will remain, the company said.

EIB lending to reach Ecu19bn

By David Marsh

The European Investment Bank said the volume of its borrowing and lending next year could be adversely affected by slower growth in public sector infrastructure spending in western Europe.

At a presentation in London, Mr Pitt Treumann, a senior EIB official responsible for lending throughout the European Union, said the bank's lending and borrowing were "demand-driven".

If factors like the move towards privatisation in several countries slowed down demand for infrastructure financing, this would influence the EIB's need for funds on capital markets, he said.

Finance for Romanian chemical plant

The bank will invest \$3.8m in a 17 per cent stake and lend \$1.1m to a joint venture between EIB, Kothari, a Madras-based commercial group, and Pioneer Group, a US fund management company with its head office in Boston. The partners hope to raise \$900m for the two funds.

The bank will invest \$3.8m in a 17 per cent stake and lend \$1.1m to a joint venture between EIB, Kothari, a Madras-based commercial group, and Pioneer Group, a US fund management company with its head office in Boston. The partners hope to raise \$900m for the two funds.

cent of the total - in sterling.

The scope of the bank's activities has been increased by decisions by European heads of government for the EIB to step up funding for transport, telecommunications and energy projects.

Sir Brian Urwin, chairman, said: "There is certainly a case for extending the facility" in the light of the recession in much of the continent.

Since the end of 1992, the EIB has been given a remit to provide an extra Ecu7bn for such projects in addition to its normal lending. Loans of Ecu5.5bn for the extra projects have been approved with the total expected to reach Ecu15bn by the year end.

ANZ wins \$650m mandate for India loans

By Steve Webb

ANZ, the Australian banking group, has won the mandate to arrange loans of up to \$650m to help finance three large power projects in India.

Rolls-Royce, the British engineering group, last month won contracts amounting to \$650m (1993-94) to build three power plants in India. These include a coal-fired station in West Bengal, a similar station in the state of Bihar, and a combined cycle gas fired station in Andhra Pradesh.

ANZ International Merchant Banking will arrange up to \$650m of dollar-denominated offshore debt and equity, including funding from export credit agencies, from multilateral financial institutions, such as the Asian Development Bank (ADB), and from the commercial banking sector with a syndication loan.

The remaining finance will probably be raised using a combination of equity and loans from Indian credit institutions, according to ANZ.

CONSOLIDATED SEMI-ANNUAL REPORT	
(For the period April 1, 1993 to September 30, 1993) In Millions of Yen	
Statement of Income	
Net sales	2,203,700
Cost of sales	1,604,639
Income before taxes and minority interests	36,183
Income taxes	30,545
Net income	3,434
Net income per share	1.07 (in Yen)
Balance Sheet	
Assets	
Cash and cash equivalents	753,363
Notes and accounts receivable, trade	970,874
Inventories	1,173,100
Other current assets	407,368
Property, plant and equipment	1,332,735
Other assets	860,068
Total assets	5,497,508
Liabilities and Shareholders' Equity	
Bank loans and current portion of long-term debt	1,037,164
Notes and accounts payable, trade	779,316
Other current liabilities	1,094,645
Long-term liabilities	1,323,250
Minority interests	133,316
Shareholders' equity	1,129,547
Total liabilities and shareholders' equity	5,497,508

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Notice of Redemption
To the Holders of
Alaska Interstate International Finance B.V.
8 1/4% Convertible Subordinated Guaranteed Debentures due 1995
Redemption Date: January 5, 1994

NOTICE IS HEREBY GIVEN that Alaska Interstate International Finance B.V. (the "Company") will redeem all of the outstanding 8 1/4% Convertible Subordinated Guaranteed Debentures Due 1995 (the "Debentures") pursuant to the provisions of Article 1(a) of the Indenture dated as of December 1, 1994 (the "Indenture") between the Company and Chemical Bank (the "Trustee").

The Debentures are to be redeemed at a redemption price (the "Redemption Price") of 100% of their principal amount plus accrued interest to the Redemption Date of \$7.79 per \$1,000. On the Redemption Date the Redemption Price will become due and payable on each Debenture to be redeemed and interest thereon will cease to accrue on and after said date. Payment will be made to holders only upon surrender of the Debentures together with all appurtenant coupons maturing after the Redemption Date, to the office of one of the Paying Agents indicated below:

Chemical Bank, Room 234 - North Building, 55 Water Street, New York, NY 10041
Chemical Bank, 135 London Wall, London EC2Y 5 JA
Chemical Bank AG, 30 Ullmenstrasse, 1 Frankfurt
Banque Internationale à Luxembourg, 89 Route d'Esch, 1470, Luxembourg
Banque Generale du Luxembourg, 27 Avenue Montebello, 2651, Luxembourg
Credit Suisse, 8 Paradeplatz, 8002, Zurich
MeesPierson NV, 55 Rokin, 1012 NK, Amsterdam

Delivery of the Debentures for redemption is at the option and risk of the Holder. Delivery of Debentures to any address other than those specified above will not constitute a good delivery.

The Debentureholder has the right to convert the Debentures into Indonesian Participating Units of Unimer Company at any time, up to the close of business on the Redemption Date, at a conversion rate of \$85.25 in cash plus 42.63 Indonesian Participating Units issued by Unimer Company for each \$1,000 principal amount of Debentures. To convert, please complete the "Conversion Notice" on the reverse side of the Debenture and deliver the Debenture, with any assignments or powers deemed necessary, to one of the agents at the address set forth above.

Alaska Interstate International Finance B.V.
By: **CHEMICAL BANK**, as Trustee

Dated: December 6, 1993

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FT Surveys

The Markets

THIS WEEK

Global Investor / Peter Martin

Economics of the real world



The week ahead will see both Europe and Japan struggling to come to terms with their most pressing economic problems. On Tuesday, the Japanese government will announce a fresh package of fiscal stimulus, perhaps with a further cut in interest rates to come a week later. On Friday and Saturday, the European Commission will discuss the Commission's long-awaited white paper on growth, competitiveness and employment.

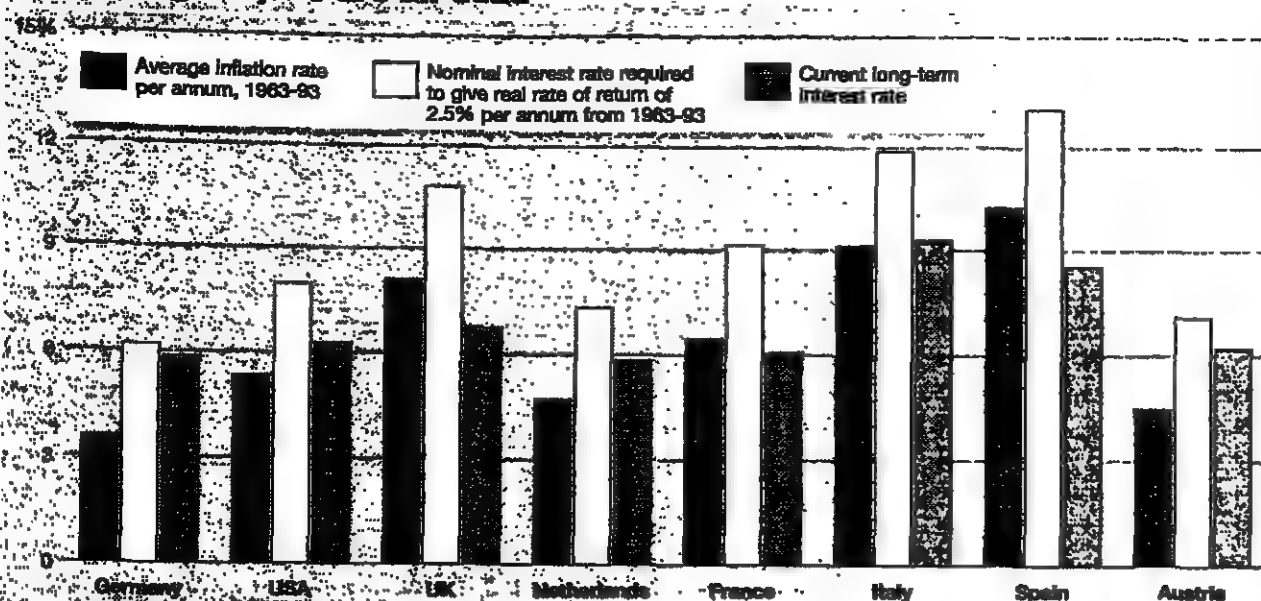
They have been so thoroughly discussed in advance that the most likely market impact of their arrival is negative. If the Japanese measures fail to promise immediate economic salvation, the markets will be disappointed. A white paper pregnant with interventionist language will cause equal dismay.

But events in the real world are likely to have a more potent impact. What is actually happening in Japan's economy will be captured in Friday's "tankan" survey of economic activity. The real competitiveness of European industry is more likely to be affected by the beginning of the wage round for Germany's metalworkers on Tuesday than by any number of white papers.

And how Europe's politicians greet Tuesday's announcement of plans for a joint venture between France Telecom and Deutsche Telekom will indicate whether the EU is committed to competition and deregulation - or whether it prefers to huddle together inside a laager.

Santa Claus
The tone of stock market comment in the United States can

In the long run, we are all dead



best be caught in the title of a recent note by Elaine Garzarelli of Lehman Brothers in New York. "Santa Claus Is Coming To Town," she writes. On Thursday and Friday, when figures for wholesale and retail price inflation are published, we'll know just how naughty or nice the outlook is. The last monthly inflation figures triggered first a healthy bond-market rally, on very weak producer price numbers, then a sharp setback, when the consumer price index failed to live up to the expectations generated by producer prices.

That pattern indicates the market's jumpiness about US inflation, even though the short-term outlook remains very low. Wolfhard Graetz, who manages private clients' money at Bank Vontobel in Zurich, says that the next big market move will be driven by the realization that worldwide

inflation will be picking up from 1985 onwards, in anticipation, he is accumulating natural resources stocks and other inflation plays. Albert Edwards, global strategist at Kleinwort Benson in London, also believes in the medium-term inflation story: over the next year or so, he says, as developed economies re-synchronise their economic cycles, 2.5 per cent economic growth will translate into 4 per cent industrial production growth, and that will at last reverse the downward trend of worldwide commodity prices.

The consensus is probably still against them, arguing that the weight of debt will hold down demand and keep inflation low. But it's becoming a wobbly consensus, one that might not survive the first unambiguously poor set of US inflation numbers.

Bondage

A contrarian would argue that the rash of ultra-long debt securities is a sure sign of inflation to come. Whatever the reason, everybody's doing it. Germany says it may be issuing 30-year bonds. Italy has already done so. Austria issued 30-year Eurobonds last month, and Spain is promising 15-year bonds. In the US, where 30-year government bonds are well established, private-sector issuers have been boldly pressing ahead into unknown territory, with ABN Amro, Walt Disney and Coca Cola all issuing 100-year paper this year.

The chart, calculated by the FT's Keith Flett, offers a sober commentary on such optimism. It shows what has happened to inflation over the last 30 years in eight big economies, together with the coupon you would have needed to gen-

erate a 2.5 per cent a year real return. The chart also shows the yield currently available on the longest-dated government bond in each country. You can see that Germany can make a case for issuing 30-year bonds; but from every one else, good intentions for the future are no substitute for past performance.

Troisième age
France's decision to move towards private-sector pension funds, with legislation due to be introduced early next year, will slowly transform the domestic equity market. Over the next couple of decades, the pattern of ownership and the behaviour of shareholders and corporate managements will undergo profound change.

At the moment, French pensions are provided on a pay-as-you-go basis by the state. Gov-

ernments of both political flavours have become convinced of the need for greater private-sector involvement. And the centre-right government wants to find safe homes for the large numbers of shares in privatised companies to be sold over the next few years. Just how fast funded pensions take off depends on how attractive, compared with the state scheme, the new legislation allows them to be. It looks likely, however, that the new pensions will be "money-purchase" schemes, rather than final salary ones. This will dull their appeal, since there will be a greater unpredictability about their eventual returns. It will also result in schemes that are dominated by bonds, rather than equities. Final salary schemes, with an implicit corporate guarantee, have a natural bias towards the long-run performance offered by equities. Money-purchase schemes, without such a guarantee, are naturally driven to assets which have lower year-to-year fluctuations in value.

Even if France's new pension funds are dominated by fixed-income securities, they will still have a significant impact on the equity market. Sushil Wadhvani, of Goldman Sachs in London, says that, for the economy as a whole, pension funds are a form of forced savings, and they are not a one-to-one substitute for other savings.

If the global capital markets are still less than completely integrated, the rise in France's savings rate will increase the ratings of local equities - a phenomenon that can be detected in the UK markets during the period from the 1950s to the late 1960s when pension funds grew rapidly.

A more up-to-date example can be seen in Switzerland, where funded pensions are still

Total return in local currency to 2/12/93

	US	Japan	% change over period	France	Italy	UK
Cash						
Week	0.05	0.05	0.12	0.13	0.17	0.10
Month	0.27	0.21	0.55	0.58	0.76	0.49
Year	4.19	5.59	8.00	9.51	13.69	6.75
Bonds 3-5 year						
Week	0.10	0.57	0.13	0.21	-0.38	0.78
Month	0.13	1.47	0.90	0.68	-0.68	1.73
Year	10.11	11.38	13.53	17.13	24.82	3.83
Bonds 7-10 year						
Week	0.37	1.41	0.28	0.28	-0.80	1.14
Month	-0.34	2.35	0.60	0.74	-2.33	2.35
Year	14.60	14.60	17.21	22.63	32.46	20.53
Equities						
Week	0.3	-0.7	2.9	1.7	1.6	4.2
Month	-0.9	-9.7	0.8	0.0	-7.3	2.1
Year	10.4	13.7	39.5	28.9	38.3	23.7

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

new. As is likely to be the case in France, Swiss pension funds are heavily invested in bonds; Swiss equities have historically made up only 13 per cent or so of pension fund assets. Despite this relatively small exposure to stocks, the new pension funds have transformed Switzerland's financial climate. Their fiduciary responsibility to their members makes them much more committed to shareholder value than traditional financial institutions, caught in the web of interlocking mutual relationships which has characterised the Swiss economy. This need has spurred entrepreneurial banking firms - such as BZ Bank - into existence, to bring pressure to bear on underperforming managements.

The double effect in France - new privatised companies, independent of the state; and new pension fund shareholders, ultimately responsible only to their beneficiaries - will in time give the French

corporate scene a more Anglo-Saxon flavour. At the moment, households hold 34 per cent of French equities, companies hold 17 per cent, and foreigners hold 31 per cent. Institutional investors - insurance companies and mutual funds - own only 18 per cent. If, over the next decades, the arrival of pension funds doubles that proportion, the French equity market will be a very different place.

Monopoly
Derivatives make their way into every corner of modern life. They are the latest twist on the board game Monopoly. Apparently a sure-fire way to win the game is to take advantage of rivals' short-term cash-flow difficulties by buying call options on their more attractive properties: the average player, no rocket scientist, consistently under-prices such deals. Remember, you heard it here first!

Economic Eye / Edward Balls

Unemployment and the sexual labour market revolution



At the end of this week, European Commission president Jacques Delors will finally publish his much trailed - and leaked - white paper on tackling European unemployment. To be precise, the white paper - entitled Growth, Competitiveness and Employment - has a wider remit. Policies to boost investment, as well as cut non-wage labour costs and reduce working hours, are likely to figure prominently. But it is primarily a response to the Community's greatest economic failure - persistent mass joblessness.

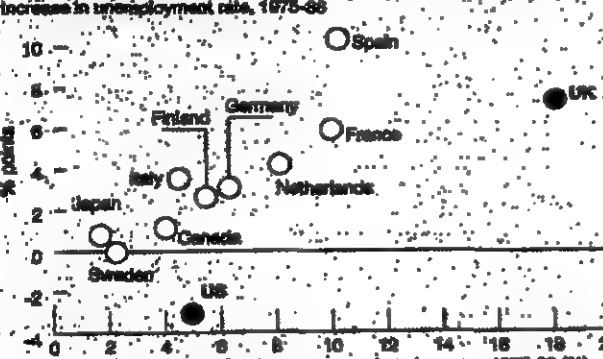
Mr Delors is right to broaden the scope of his investigation. For unemployment rates are a partial, and misleading, measure of the opportunities which are provided and withheld in modern labour markets. ● they underestimate the fall in male employment in almost all developed countries over the past twenty years; ● they ignore the dramatic rise in female employment, particularly in English-speaking countries; ● and they suggest, misleadingly, that the US has escaped the economic forces which have driven unemployment rates up in Europe.

At the root of these changes, and the reason for Mr Delors' emphasis on competitiveness, lies an economic development which has escaped the collapse in the demand for unskilled labour in manufacturing industry. The twin causes have been technological change and growing competition from low-cost developing countries. The main casualties have been unskilled men.

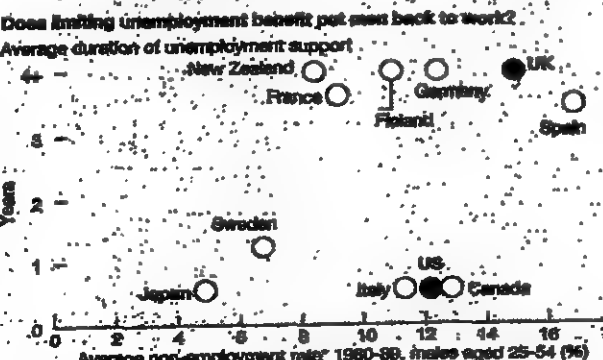
In the past, badly educated men could expect full-time jobs for life, paying relatively high wages. Now, the available jobs for the unskilled tend to be in the service sector, increasingly part-time and often paying low relative wages. In the US, where the falling demand has hit wages hardest, the real wages of the poorest 10 per cent of workers have fallen by a third since 1970. Not surprisingly, the evidence suggests that younger unskilled American men find crime an attrac-

Some spurious unemployment correlations

Do reductions in working hours mean lower unemployment? Increase in unemployment rate, 1973-93



Does limiting unemployment benefits put men back to work? Average duration of unemployment support



Source: Layard, Michael & Jackson (1989), OECD (1988), % of population age 15-64

tive alternative. But in Europe, the relative wages of the young and poorly educated workers have also fallen. The US and UK have, meanwhile, experienced a sexual revolution in the world of work. The US has a far superior job-creating record to that of continental Europe, albeit at the cost of stagnant real wage growth and rising wage inequality. Britain has had slower employment growth than the European average when its two recessions are included. But compared to continental Europe, both countries have managed to draw many more women into work, often part-time and in the service sector. In Britain, these poorly paid jobs are almost always taken by women from households with at least one other working member, as Paul Gregg points out in our IPPR Paper.

Yet this Anglo-American female employment growth has co-existed with a sharp fall in

male employment which is only partly reflected in the unemployment figures. The reason is that many jobless - or "non-employed" - men have shifted from being counted as "unemployed" to "economically inactive". On average, in the 1980s, 12.1 per cent of prime-age US males and 14.9 per cent of UK males were out of work compared to 9.1 per cent in France and 11.3 per cent in Italy. The claim that deregulated labour markets have lower joblessness looks rather hollow. Nor does the case for curtailing unemployment benefit durations stand up to scrutiny. For, as the lower chart shows, shifting attention from unemployment to non-employment rates undermines the supposed link between limited benefits and lower male joblessness. US men without jobs are less likely to say they are actively seeking work, and thus be counted as "unemployed", because they do not receive welfare payments if they do.

The duration of benefits does not appear to affect total joblessness, only how that joblessness is allocated between unemployment and inactivity. This sexual revolution also sheds new light on the case for work-sharing. So far, the empirical evidence that lower working hours means lower unemployment seems weak, as the upper chart shows. The British experience with falling working hours explains why. The UK has managed to share work around in the 1980s, by encouraging part-time and flexible working. But the benefit system effectively stops unemployed households from taking part-time work. A public policy priority must therefore be to make it easier for women from unemployed households to take part-time work. But it is unskilled men who pose the greater policy challenge. The long-term solution must be to break out of the dichotomy of old-style corporatism and unemployment on the one hand, and rising wage inequality and inactivity on the other. That means investment to create more skilled jobs combined with training and education to enable both men and women to update their skills.

In the meantime, European governments must cope with a growing army of poorly educated long-term non-employed men. The challenge is to find ways to subsidise unskilled men in a more economically efficient manner than permanent benefits - either in public sector jobs or by subsidising private sector employment - and stop them slipping into the criminal economies of modern cities.

Developed country governments must either find ways to include unskilled men within a modern skill based economy, or accept the consequences of growing exclusion. Subsidising unskilled men is certainly costly. But the US experience suggests that the social costs of excluding a growing mass of unskilled men from the legal world of work are much greater.

* "Work and Welfare: Tackling the Jobs Deficit" by Edward Balls and Paul Gregg. Available from the Institute for Public Policy Research, 30-32 Southampton Street, London WC2. Price £2.95

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FT ISMA

EQUITY MARKETS: This Week

NEW YORK

Patrick Harverson

Tug-of-war between bulls and bears

US stock markets this week will continue to feel the pull from the tug-of-war between bullish investors, who believe in the evidence of a strengthening economy and the powers of low interest rates, and bearish investors, who fear the recent rise in interest rates and find the valuations of equities worryingly expensive.

These contradictory forces have been behind the inconsistent performance of share prices in the past few weeks.

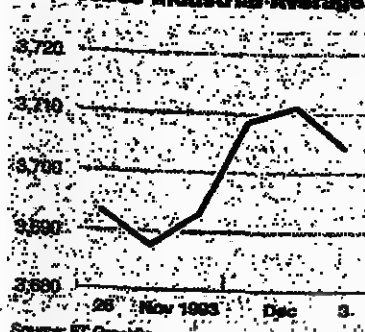
The main equity indices have not moved far since the end of October, with the exception of the composite index of stocks listed on the Nasdaq market, which has suffered from heavy selling lately.

The sell-off in Nasdaq stocks has not been the result of a change in the earnings or economic fundamentals underpinning the market, but rather the product of investors' caution. Because they have performed so well throughout the year, Nasdaq stocks were beginning to look overvalued by mid-autumn. So investors, fearing that Nasdaq prices would not move much above their highs, began selling in order to lock-in some profits before a major calamity hit market sentiment and wiped out all of their year's gains.

Although profit-taking has been mostly confined to the Nasdaq, it could soon spread to the broader markets if more investors feel that the current bull market phase has reached its peak.

Not everyone, however, is convinced that it has. One indicator of stock market sentiment compiled regularly by the Investors Intelligence newsletter currently records a near three-year high in the number of

Dow Jones Industrial Average



Source: FT Graphix

investment advisers who are feeling pessimistic about the outlook for stocks.

According to the lateral thinking of contrarian investors and strategists, this is a bullish sign, because the more pessimists there are out there, the more money they are likely to have stashed away in cash. This is money that could yet be invested in stocks.

Contrarians become nervous when everyone is excited about stocks, because this usually means that all the money that could be invested in equities is already there.

There may be other grounds for optimism about the outlook for share prices this week if world trade talks lead to a successful conclusion of the General Agreement on Tariffs and Trade. Normally, US markets pay little attention to trade issues, primarily because trade talks seem to have been dragging on for years, with no apparent loss or gain to world economies.

Yet, the fuss two weeks ago over the passage of the North American Free Trade Agreement raised investors' awareness of the importance of lowering or dismantling the world's trade barriers.

Their awareness, in fact, was raised to the point where any failure to reach an agreement on GATT by the December 16 deadline could spark heavy selling on world, including US, equity markets.

LONDON

Strategists' menus suggest further gains

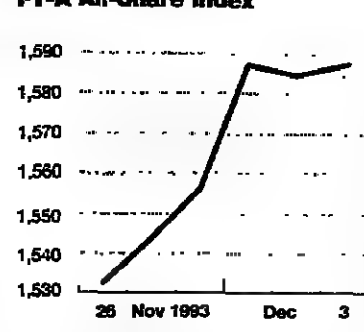
After last week's spectacular performance it may seem churlish to ask for more, but the tone of the London stock market suggests that more is indeed expected, at least on the menu put together by the equity strategists. Base rate cuts – the market now prefers the plural version – are more than ever in prospect for the new year, with or without the encouragement of the Bundesbank.

The chancellor's commitment to promoting economic recovery has re-focused attention on the January round of company results; the market has been through this exercise before, but expectations that recovery will show itself in corporate profits have to be satisfied soon.

The effects of the Budget speech showed themselves in a number of special factors last week. Derivatives markets again demonstrated the power over underlying equities imposed by the impressive liquidity and flexibility of the futures markets. "If a fund manager wants to put, say \$50m into UK equities, then the stock market will be moving almost immediately before he secures the stock. But he can put \$50m into the stock index future in half an hour," said one futures trader as the December stock index contract raced to premiums of around 30 points against cash last Wednesday.

The premium dipped at one time but by the close of business on Friday it had returned to around 30 points against cash – Fair Value, the estimated premium allowing for dividend and carrying costs, is virtually zero at this stage of the contract's life. The premium still offers a powerful lead ahead of its expiry in just over a week, when the

FT-A All-Share Index



Source: FT Graphix

contract and the FT-SE 100 Index must be in line.

However, last week's futures frenzy may not be repeated, since it was also linked to frantic attempts by a UK investment bank to put into equities £100m cash taken in by the new Lloyds investment funds. The stock market estimates that more than £500m of these Lloyds funds are earmarked for UK equities. With the Budget out of the way, there will be less pressure on fund managers to get the money into the market.

One hurdle still to be faced could be the market's more considered response to the Budget proposals on Foreign Income Dividends. The stock market has identified nearly 40 companies, mostly FT-SE listed, which could be serious FID candidates, although the companies themselves still seem unsure of their dividend policy. The stock market has been surprisingly slow in taking on board the implications of the Budget FID plans, perhaps because analysts have seen them as share-specific rather than significant for the market as a whole.

The implications of Ladbroke's decision to take advantage of FID rules has been masked by the many other factors affecting the shares. The same applies to BP, Lloyds and Rank Organisation, all three spotted by the market as stocks with a surplus ACT problem. The search for other FID candidates will not doubt be taken further this week.

OTHER MARKETS

TOKYO

The market is likely to remain cautious ahead of Friday's December stock futures and options settlements and the announcement of the government's emergency package. Now the stock market has stabilised, some cabinet members claim the supplementary budget should be passed through parliament before an additional package is announced. Investors will focus on the details and the size of the fiscal package floated in the press before official announcements.

FRANKFURT

GDP figures, due tomorrow, are forecast to show a 0.5 per cent rise in the third quarter, representing a 1.5 per cent fall on the year ago level. James Capel comments that the quarterly increase is the result of a slight recovery in consumption, reflecting firmer retail sales, and a positive contribution from net exports, reflecting falling imports.

The bank reporting season continues with 10-month figures from Bayerische Vereinsbank today and Deutsche Bank tomorrow. RWE's annual meeting comes on Thursday.

PARIS

GDP figures due on Wednesday are forecast to show a 0.2 per cent rise in the third quarter after the second quarter's flat performance, reflecting slightly firmer consumption and a substantial fall in exports. September trade and November consumer price figures come on Friday. Elf Sanofi, France's second largest drugs group, which issued a profits warning last month, meets analysts today.

MILAN

The market will be paying close attention to the parliamentary budget debate, due to begin today and continue into next week. The privatisation of Credito Italiano begins this week. Mutual funds figures during the week are expected to confirm strong net inflows to bond and equity funds.

AMSTERDAM

Ahold, the food retailer, reports third-quarter results today, with analysts forecasting a rise in net profits of 18-20 per cent.

ZURICH

CS Holding shareholders meet tomorrow to approve a share issue to finance the bank's purchase of the 30 per cent of Leu Holding equity it does not already hold.

RISK AND REWARD

Banks use swaps to counterbalance asset-sensitivity



Low interest rates and a steep yield curve have battered the US banking industry in the past two years: but what will happen to bank earnings if interest rates rise and the curve flattens?

The question has aroused much speculation but few answers – not least because it is impossible to tell from published data whether banks have used interest rate swaps and other off-balance sheet instruments to add to or reduce their interest rate exposure. Now, faced with scepticism over their sharply rising use of derivatives, some US regional and "super-regional" banks have begun a campaign to ease investors' concerns.

BancOne has led the fight. The notional value of swaps in which it is involved jumped to \$37bn at end-September from \$21bn at end-1992, arousing concern and hitting its share price. Given that BancOne relies on a buoyant share price to further its acquisition strategy, it wasn't surprising to see chairman Mr John McCoy in New York last week trying to persuade 200 analysts and others that the bank wasn't speculating on interest rates.

Other banks have also been working hard to reduce what they believe are market misconceptions, among them North Carolina-based First Union. Its use of instruments like swaps and floors creates more nervousness than

On the face of it, the two banks appear to have remarkably similar exposures to interest rate movements, though different methods of calculation make direct comparison difficult. BancOne says a gradual 100 basis point rise in interest rates during next year would lower earnings by only 3.3 per cent. First Union puts its interest-rate sensitivity at 3 per cent.

What happens if the yield curve flattens, eating into the banks' margin-boosting trick of carrying bonds and swaps which pay fixed rates? "They can't hedge that away," says Mr John Leonard, an analyst at Salomon Brothers. But a flatter yield curve could bring higher loan demand – and then the banks could get back to a business the stock market believes they know much more about.

Most bank customers want to borrow against the (variable) prime rate and deposit at

fixed rates, says Mr Richard Lodge, BancOne's chief investment officer: as a result, as interest rates rise, the income a bank receives on its assets goes up faster than the payments it makes to depositors.

Both BancOne and First Union have used swaps to counterbalance this so-called "asset-sensitivity" and tilt their exposure slightly the other way instead. They do this by entering swap agreements under which they receive a fixed interest rate and pay a floating one.

BancOne says its use of swaps contributed 70 basis points to its net interest margin during the third quarter, which stood at 6.22 per cent.

First Union, on the other hand, pursues a hedging strategy which in part reduces its current net interest margin at the expense of protecting future earnings. It bought a large option on a swap (known as a "swaption") a year ago: this gives it the right to enter a swap agreement at a predetermined rate. Up-front premiums paid on deals like this are spread over the option's life, reducing current earnings.

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Richard Waters

MARKETS AT A GLANCE

Index	Price	Change	High	Low	High	Low
FT-SE 100	3,194.25	+20.50	3,194.25	3,173.75	3,194.25	3,173.75
Dow Jones Ind.	3,704.07	+20.50	3,704.07	3,683.57	3,704.07	3,683.57
Nikkei	17,489.35	+112.10	17,489.35	17,377.25	17,489.35	17,377.25
Dax	2,120.55	+3.60	2,120.55	2,116.95	2,120.55	2,116.95
SAC 40	2,291.86	+1.86	2,291.86	2,289.99	2,291.86	2,289.99
Barton Corn	532.86	+0.25	532.86	532.61	532.86	532.61

FT Graphix

EMERGING MARKETS: This Week

The Emerging Investor / Alexander Nicoll

Staking a claim in China

So you want to invest in China? Many people do. Foreign companies have signed direct investment contracts worth more than \$100bn (£67bn) this year alone – though the actual flow of foreign money into joint ventures in 1993 is probably nearer \$15bn.

Portfolio investors are equally keen to take a stake in a country which may be the next economic superpower.

Economic growth rates of 13 per cent last year and probably around 12 per cent this year are hard to ignore. The past few weeks have seen a new surge of interest from foreign investors with US institutions in particular awakening to China's potential and ploughing money mainly into Hong Kong.

"All China shares have undergone an enormous re-rating as a consequence of the new perception that China is no longer Hong Kong's greatest risk, but its greatest asset and that China may be the world's most promising emerging market," writes Mr David Whittall of Baring Securities.

However, Baring and some other firms are cautious at current price levels, advocating only purchases of Chinese shares listed in either China or Hong Kong when they are initially offered at lower earnings multiples than are prevalent in the market.

Though markets are encouraged by recent reform measures in vital areas such as the financial system and taxation, there is considerable uncertainty about the success of Bei-

jing's measures to slow the overheated economy. Although the government has gone a long way towards creating a market economy, the most difficult measures, such as tackling the public sector, still lie ahead.

Recent buying was sparked partly by a view that previous price declines meant that bargains were to be had and that China appeared to be avoiding a hard landing for the economy.

The comments of Mr Barton Biggs, emerging markets strategist for Morgan Stanley, who said in September that he was "maximum bullish" on China, raised the consciousness of US investors even though the investment bank later reversed September's increase in its portfolio weightings for China.

Mr Mark Mobius, president of the new Templeton China Fund, says he accepted \$280m from investors but could have raised as much as \$1bn. The fund became the largest of about 40 "China funds" with total net assets of around \$2bn, of which all but five have sprung up within the past two years.

The problem facing investors who want to participate in China's growth is that of several different vehicles available, none is perfect and all are volatile. Many investors have preferred to go through funds which profess to invest in China or in equities closely linked to China.

Investing directly on the small and illiquid stock exchanges in Shanghai and Shenzhen involves a high

degree of uncertainty. B shares in which foreigners are allowed to invest – A shares are for domestic investors – are volatile and profit performance varies considerably.

When buying is in fashion, the small amount of stock available tends to send prices rapidly to levels which many analysts regard as overbought. Shanghai B shares rose 14 per cent during one week in November on average daily turnover of \$13m – high for that market – and are now trading at an average of 18 times 1993 earnings, according to Baring Securities.

Investors in B shares have to accept inadequate regulation and corporate disclosure. Although Chinese companies have come some way towards western accounting standards the typical manager of a state-owned enterprise has a pretty hazy concept of profit.

These uncertainties have led fund managers to buy China via foreign markets, principally Hong Kong. The degree of exposure ranges from a small number of B shares, Chinese companies listed in Hong Kong, to "red chips" – Hong Kong companies deriving a substantial amount of their income from China, to other Hong Kong companies with less direct links to the mainland.

Of 36 funds on which Microcap, publisher of the monthly Emerging Market Fund Monitor, has data, seven have more than 40 per cent of their portfolio invested in B shares and 20 have more than 40 per cent invested in Hong Kong. Eight

still have more than 40 per cent of their portfolio in cash – some because their mandate is to seek equity in unlisted Chinese companies, which takes time and expertise.

Though some managers feel that funds which buy principally in Hong Kong do not have a portfolio truly representative of China, many believe strongly that it is the best route.

Mr Mobius, who has invested around 60 per cent of the Templeton China World Fund in Hong Kong, says: "I feel comfortable about buying Hong Kong because it is a reflection of China and you're buying experienced managers and an accounting system you can understand."

Mr Robert Lloyd George,

Ten best performing emerging market stocks

Stock	Country	Friday close	Week on week change %
Fair Eastern Textile	Taiwan	1.17	24.16
Public Bank	Malaysia	1.24	21.54
Formosa Plastic Corp	Taiwan	1.71	20.48
Evergreen Marine	Taiwan	1.72	18.46
Formosa Chemical & Fibre	Taiwan	0.91	17.19
Shinawatra Computer & Comm.	Taiwan	44.70	16.88
Nan Ya Plastic	Taiwan	1.80	16.35
United Microelectronics	Taiwan	2.18	15.73
Corcoran	Argentina	5.75	14.85
Korea Mobile Telecom	Korea	212.60	14.47

Source: Baring Securities

who runs a firm managing two China funds, notes that companies in the Hang Seng Index derive only some 2 per cent of their profits directly from China. However, the fortunes of smaller listed companies tend to be much more closely tied up in China, he says. The Lloyd George Standard Chartered China Fund has shares in about 35 smaller Hong Kong

Baring securities emerging markets indices

Index	3/12/93	Week on week movement	Month on month movement	Year to date movement
World (236)	145.61	+2.08	+1.45	+6.37
Latin America	98.84	+1.08	+1.10	+0.75
Argentina (19)	131.86	-8.88	-8.29	-2.87
Brazil (16)	129.05	-1.26	-0.87	-1.98
Chile (12)	140.88	+1.26	+1.08	+1.11
Mexico (22)	132.50	-0.68	-0.51	+6.23
Latin America (71)	82.65	+4.31	+5.51	+3.37
Europe	111.50	-0.93	-0.83	-1.19
Greece (14)	142.72	-0.24	-0.17	+26.85
Portugal (13)	107.63	+1.22	+1.15	+6.94
Turkey (22)	155.04	-1.02	-0.65	+9.69
Europe (49)	96.79	+1.28	+1.34	+5.30
Asia	215.62	+8.96	+4.35	+2.85
Indonesia (17)	239.08	+8.39	+4.09	+7.20
Korea (23)	223.97	+10.55	+4.85	+8.84
Malaysia (21)	104.83	+10.22	+10.80	+8.09
Philippines (9)	182.55	+7.92	+4.53	+7.26
Thailand (20)	155.04	-1.02	-0.65	+9.69
Taiwan (25)	96.79	+1.28	+1.34	+5.30
Asia (119)	215.62	+8.96	+4.35	+2.85

All indices in \$ terms, January 7th 1992=100. Source: Baring Securities

Currencies / Rachel Johnson

Investors monitor franc

Today's French repo tender will be the focus of most market activity as traders wait to see whether the franc continues its rise following last Friday's rate cut.

The Bank lowered its intervention rate by 25 basis points to 6.30 per cent, triggering expectation that the franc would rise further to regain its old ERM floor and then move up to around FF13.41 against the D-Mark – its level before the summer currency crisis.

On Thursday the Bundesbank set off a round of minor interest rate cuts around Europe by setting its repo rate at 5 per cent for an unprecedentedly-long period of five weeks.

Even though the German central bank left its main Lombard and discount rates unchanged, this move led to cuts in Belgium, Spain, France and the Netherlands.

The franc has been strong enough to weather a cut in its

rate for some time, and market observers regarded the easing as a *fait accompli* after the rate cuts in other countries.

Today's current account for France will be another bright spot. Imports' bigger fall than exports in 1993 also helped to underpin the franc. Trade growth is expected to add 0.6 per cent to gross domestic product this year and next.

European interest rate cuts will help the markets digest whatever comes out of the

Brussels summit on December 10. If Mr Edouard Balladur, the prime minister, has to give ground on agriculture, then a cut in French interest rates might ease the pain.

But if the summit sets the scene for a collapse in the trade talks – though this is looking increasingly unlikely as all have committed themselves to a successful conclusion – then currencies will undoubtedly be greatly affected, especially the most

heavily-traded.

If the GATT talks go to plan, this will set the tone for a gentle rise in the dollar. The US recovery seems firmly established with economists expecting GDP to approach 5 per cent in the fourth quarter. Some expect to see the dollar at DM1.75 by early in the New Year, aided by lower European rates.

This week should be something of an anti-climax after the excitement of last week's

Budget, which sent the UK stock market to a new high. The pound should though derive some support from economic statistics, such as consumer credit, during the week. An increase of around £350m in net outstanding credit is projected, which would be consistent with signs of a tentative consumer-led recovery.

The trade data, meanwhile, have been confusing given the lack of comprehensive statistics. Exports appear firm.

News round-up

Pakistan

Shares hit record highs before the weekend with further rises forecast for the coming days, writes Farhan Bokhari in Islamabad. The KSE-100 has risen almost 26 per cent since elections two months ago.

The positive fervour is largely due to the end of political turmoil which had brought government to a standstill, and adversely affected key economic indicators.

Foreign exchange reserves have recovered to approximately \$800m, up from an all-time low of less than \$200m in July. However, textile shares, which represent one third of listings on the exchange, could affect sentiment if they have suffered heavily due to a year-long recession in the industry.

Trends

At a presentation in London last week hosted by Foreign and Colonial Emerging Markets their chief investment officer, Mr Arnab Banerji, forecast that 1994 would see strong growth in Mexico, Colombia, Argentina, India, Korea and Taiwan.

He was very cautious about China, seeing the economy heading for a "hard landing", which could also rebound on Hong Kong. India is seen as a potential bull market, with F&C estimating a market gain in dollar terms of 55 per cent.

Poland

Up to 10 bids have been made for the right to set up Poland's first private nationwide television channel. The applications are expected to include about eight consortia with foreign investment, and the list of bidders will be made public before the end of the year. The licence will be awarded next spring.

The bourse closed last week at an all-time high, but traders said that investors remained uneasy about the short-term trend.

Indonesia

Open ended investment funds are to be encouraged, officials have said, but without giving any timetable for implementation.

Indonesia approved closed-end investment funds in 1990, but only one investment company has been licensed to operate and another approved in principle. No investment funds have been listed on the Jakarta exchange.

Bucharest

Italy is the leading foreign investor in Romania with \$91.9m worth of capital invested by mid-November, data released by the National Statistics Board shows. Total foreign investment over the past three and a half years is \$729m, said the Romanian Development Agency, the government's main foreign investment promotion organisation.

Shanghai

The securities exchange plans to set up a remote computer terminal transaction system for trading B shares.

This will allow trading from anywhere in the world: foreign brokerages currently rely on traders on the exchange floor or trade through local brokerages that have seats.

Turkey

The government has plans to issue convertible bonds to privatise the state telecoms network.

Russia

The country hopes to privatise about 60 per cent of its industry by the end of 1993 and up to 80 per cent by July next year, the state property committee in charge of privatisation has said.

Further coverage of emerging markets appears daily on the World Stock Markets Page.

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N. TOKYO - MOST ACTIVE STOCKS WEEK OF DECEMBER 2, 1988							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.7m	312	-8	NIKKO	2.1m	238	
NEC	4.0m	959	-18	Fujitsu, Comp	2.1m	1,080	+10
Hitchi	2.8m	789	-11	Mitsubishi	2.7m	478	
Sanyo Mfg Ind	2.5m	291	-7	Tokai	2.6m	970	+10
Sakura Bank	2.0m	1,510	+50	Hokuriku Ry	2.0m	948	

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	Net Price	Gross Price	YTD
...

Shareholder Info		Share Price		Dividend		Yield		P/E Ratio		Market Cap		Beta		Volatility		Correlation		Risk Rating	
Name	Address	Price	Change	Dividend	Frequency	Yield	Yield %	P/E	Ratio	Cap	Cap %	Beta	Vol	Corr	Rating	Rating	Rating	Rating	
ABC Corp	123 Main St, New York, NY 10001	\$10.50	+0.25	\$0.50	Quarterly	4.76%	4.5%	15.0	1.2	\$1.2B	1.2%	1.1	1.5	0.85	A-	1.2	1.2	1.2	
DEF Inc	456 Elm St, Los Angeles, CA 90001	\$8.75	-0.10	\$0.40	Quarterly	4.57%	4.3%	18.0	1.5	\$800M	0.8%	0.9	1.2	0.75	B+	1.5	1.5	1.5	
GHI Ltd	789 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
JKL Corp	101 Pine St, San Francisco, CA 94101	\$9.20	+0.15	\$0.45	Quarterly	4.89%	4.6%	16.0	1.3	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
MNO Inc	202 Cedar St, Boston, MA 02101	\$11.50	-0.20	\$0.55	Quarterly	4.78%	4.5%	14.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
PQR Ltd	303 Birch St, Philadelphia, PA 19101	\$7.80	+0.10	\$0.35	Quarterly	4.49%	4.2%	19.0	1.6	\$750M	0.9%	0.8	1.3	0.70	B+	1.3	1.3	1.3	
STU Corp	404 Spruce St, Portland, ME 04101	\$13.00	+0.30	\$0.65	Quarterly	5.00%	4.8%	11.0	1.0	\$1.3B	1.3%	1.4	1.9	0.92	A	1.9	1.9	1.9	
VWX Inc	505 Ash St, San Diego, CA 92101	\$6.50	-0.05	\$0.30	Quarterly	4.62%	4.4%	20.0	1.7	\$600M	0.7%	0.7	1.1	0.65	B+	1.1	1.1	1.1	
YZA Ltd	606 Hickory St, Dallas, TX 75201	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
BCD Corp	707 Maple St, Houston, TX 77001	\$8.00	+0.15	\$0.40	Quarterly	5.00%	4.8%	17.0	1.4	\$850M	0.9%	0.9	1.2	0.75	B+	1.2	1.2	1.2	
EFG Inc	808 Elm St, New Orleans, LA 70101	\$11.00	-0.10	\$0.50	Quarterly	4.55%	4.3%	16.0	1.3	\$1.0B	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
HIJ Ltd	909 Oak St, San Antonio, TX 78201	\$9.50	+0.25	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
LMN Corp	1010 Pine St, Austin, TX 78701	\$7.00	-0.05	\$0.30	Quarterly	4.29%	4.1%	21.0	1.8	\$700M	0.8%	0.8	1.2	0.65	B+	1.2	1.2	1.2	
OPQ Inc	1111 Cedar St, Fort Worth, TX 76101	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
RST Ltd	1212 Birch St, San Jose, CA 95101	\$8.50	+0.10	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
UVW Corp	1313 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
XYZ Inc	1414 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
ABC Corp	1515 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
DEF Inc	1616 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
GHI Ltd	1717 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
JKL Corp	1818 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
MNO Inc	1919 Oak St, New York, NY 10001	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
PQR Ltd	2020 Pine St, Los Angeles, CA 90001	\$8.50	-0.05	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
STU Corp	2121 Cedar St, Chicago, IL 60601	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
VWX Inc	2222 Birch St, San Jose, CA 95101	\$8.00	+0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
YZA Ltd	2323 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
BCD Corp	2424 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
EFG Inc	2525 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
HIJ Ltd	2626 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
LMN Corp	2727 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
OPQ Inc	2828 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
RST Ltd	2929 Oak St, New York, NY 10001	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
UVW Corp	3030 Pine St, Los Angeles, CA 90001	\$8.50	-0.05	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
XYZ Inc	3131 Cedar St, Chicago, IL 60601	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
ABC Corp	3232 Birch St, San Jose, CA 95101	\$8.00	+0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
DEF Inc	3333 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
GHI Ltd	3434 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
JKL Corp	3535 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
MNO Inc	3636 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
PQR Ltd	3737 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
STU Corp	3838 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
VWX Inc	3939 Oak St, New York, NY 10001	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
YZA Ltd	4040 Pine St, Los Angeles, CA 90001	\$8.50	-0.05	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
BCD Corp	4141 Cedar St, Chicago, IL 60601	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
EFG Inc	4242 Birch St, San Jose, CA 95101	\$8.00	+0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
HIJ Ltd	4343 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
LMN Corp	4444 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
OPQ Inc	4545 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
RST Ltd	4646 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
UVW Corp	4747 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
XYZ Inc	4848 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
ABC Corp	4949 Oak St, New York, NY 10001	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
DEF Inc	5050 Pine St, Los Angeles, CA 90001	\$8.50	-0.05	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
GHI Ltd	5151 Cedar St, Chicago, IL 60601	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
JKL Corp	5252 Birch St, San Jose, CA 95101	\$8.00	+0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
MNO Inc	5353 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
PQR Ltd	5454 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
STU Corp	5555 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
VWX Inc	5656 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
YZA Ltd	5757 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
BCD Corp	5858 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%	4.5%	15.0	1.2	\$950M	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
EFG Inc	5959 Oak St, New York, NY 10001	\$10.00	+0.20	\$0.50	Quarterly	5.00%	4.8%	13.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
HIJ Ltd	6060 Pine St, Los Angeles, CA 90001	\$8.50	-0.05	\$0.40	Quarterly	4.71%	4.5%	18.0	1.5	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
LMN Corp	6161 Cedar St, Chicago, IL 60601	\$12.50	+0.40	\$0.60	Quarterly	4.80%	4.6%	12.0	1.0	\$1.2B	1.2%	1.3	1.8	0.90	A	1.8	1.8	1.8	
OPQ Inc	6262 Birch St, San Jose, CA 95101	\$8.00	+0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
RST Ltd	6363 Spruce St, Denver, CO 80201	\$10.50	-0.15	\$0.50	Quarterly	4.76%	4.5%	14.0	1.1	\$1.0B	1.0%	1.1	1.5	0.85	A-	1.5	1.5	1.5	
UVW Corp	6464 Ash St, San Francisco, CA 94101	\$9.00	+0.20	\$0.45	Quarterly	5.00%	4.8%	17.0	1.4	\$900M	1.0%	1.0	1.4	0.80	A-	1.4	1.4	1.4	
XYZ Inc	6565 Oak St, New York, NY 10001	\$11.00	+0.30	\$0.55	Quarterly	5.00%	4.8%	13.0	1.1	\$1.1B	1.1%	1.2	1.6	0.88	A-	1.6	1.6	1.6	
ABC Corp	6666 Elm St, Los Angeles, CA 90001	\$8.00	-0.10	\$0.40	Quarterly	5.00%	4.8%	19.0	1.6	\$800M	0.9%	0.9	1.3	0.75	B+	1.3	1.3	1.3	
DEF Inc	6767 Oak St, Chicago, IL 60601	\$12.00	+0.50	\$0.60	Quarterly	5.00%	4.8%	12.0	1.0	\$1.5B	1.5%	1.3	1.8	0.90	A	1.8	1.8	1.8	
GHI Ltd	6868 Elm St, San Francisco, CA 94101	\$9.50	+0.15	\$0.45	Quarterly	4.74%													

Barclays Inv Funds (Luxembourg)

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Kleinwort Benson Japanese War

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and **Crocidolite** (Bentonite)

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Citizens Investment Trust N

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45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 1040 1041 1042 1043 1044 1045 1046 1047 1048 1049 1050 1051 1052 1053 1054 1055 1056 1057 1058 1059 1060 1061 1062 1063 1064 1

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	25.50	25.50	25.45	-0.07	25.95	-0.07	25.75	-1.2	-
<p>not settle after only the first three decimal places. Forward rates are not directly quoted to the market. Interest Change shown for Dec 5. Rate average 1995/96/97</p>									
<p>FIXED INTEREST RATES</p>									
<p>CURRENCY RATES</p>									
Instrument	Over night	Three months	Six months	One year	Lomb. rates	Dis. rates	Repo rate		
Australia	73	73	6%	6%	8.30	5.50	-		
week ago	84	78	7%	8%	8.4	5.30	-		
France	6%	6%	6%	6%	58	6.20	-	7.75	
week ago	6.40	6.00	6%	6%	52	6.85	-	7.75	
Germany	6.40	6.28	6.00	5.88	52	6.75	5.78	6.00	
week ago	6.30	6.28	6.15	5.90	53	6.75	5.75	6.25	
Netherlands	6%	6%	6%	6	53	-	-	6.75	
week ago	6%	6%	5.5	5	52	-	-	6.75	
Norway	6%	9%	9%	8%	63	-	8.00	9.05	
week ago	6%	9%	9%	8%	67	-	8.00	9.05	
Sweden	5.85	5.89	5.87	5.8	8.15	-	-	5.85	
week ago	6.11	5.90	5.81	5.59	5.28	-	5.25	-	
Switzerland	4%	4%	4%	4%	3	6.25	4.25	-	
week ago	4%	4%	4%	4%	4	6.25	4.25	-	
week ago	2%	2%	2%	2%	2	6.25	4.25	-	
week ago	3%	3%	3%	3%	3	6.25	4.25	-	

	2%	2½	1¼	18	-	1.75 -	-
week ago	2%	2½	2%	2½	-	1.75 -	-
S & LBNR FT London							
Interbank Pading	-	3½	3½	3½	-	-	-
week ago	-	3½	3½	3½	-	-	-
US Dollar CDs	-	3.00	3.13	3.00	-	-	-
week ago	-	3.00	3.10	3.21	3.00	-	-
LDR Linked Dn	-	3½	3½	3½	-	-	-
week ago	-	4	4	3½	3½	-	-

Morning Star Treasury Bill Yield, 3.95 Percent
 S&LBNR FT London 3% LIBOR Interbank Rate rates are offered rates for transactions by the market.
 US Dollar bank bills are quoted on a bank discount basis.
 US Dollar week ending day, The banks set their weekly rate, Bank of Tokyo, Citicorp and National Westminster.
 All rates are shown for the domestic Money Rates, US \$ CDs and BDR United Deposits (Dd).

CURRENCY INTEREST RATES

	Short term	7 days notice	One month	Three months	Six months	One year
Austrian Franc	6½ - 6	6½ - 6	7½ - 7	7½ - 7	6½ - 6	6½ - 6½
Swiss Franc	7½ - 6½	6½ - 7½	6½ - 6½	6½ - 7½	7½ - 7½	7 - 6½
Dutch Guilder	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6	6½ - 6	6½ - 6½
French Franc	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½
Italian Lira	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½
Japanese Yen	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½
Puerto Rican Pes.	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½

ating	6%	5 1/2	5 1/4	5 1/8	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
ing Franc	6 1/2	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
in, Dollar	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4
ing	5	5	5	5	5	5	5	5	5	5
ing Lira	5	5	5	5	5	5	5	5	5	5
ing	10	8	8	8	8	8	8	8	8	8
ing	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
ing	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2

not mean rates set off for the US Dollar and Yen, otherwise two days' notice.

THREE MONTH EURO/DOLLAR (\$/DM) 51m points of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
ac	98.42	98.51	-	98.63	98.48	28,038	275,980
ac	98.42	98.51	-	98.63	98.48	28,038	275,980
ac	98.42	98.51	-0.01	98.63	98.48	49,358	255,336
ac	98.42	98.51	-0.02	98.63	98.73	33,686	223,222

US TREASURY BILL FUTURES (MM \$1m per 100%)

	98.87	98.87	-	98.88	98.86	1,203	6,410
ac	98.89	98.87	-0.01	98.71	98.69	999	20,739
ac	98.46	98.43	-0.01	98.48	98.41	999	3,722
ac	98.53	98.17	-	98.23	98.17	1	55

Open Interest: 98.53 as for previous day

BANK RETURN		
BRANCHING DEPARTMENT	Wednesday December 1, 1993	Increase or decrease for week
liabilities		
capital	14,883,000	\$ 32
public deposits	1,049,890,781	-1,169,898,882
members deposits	1,457,817,927	+1,215,252,522
reserve and other accounts	6,182,401,237	+1,219,260,316
	<u>9,694,852,295</u>	<u>+91,890,422</u>
assets		
government securities	1,041,478,784	-18,174,969
diverse and other accounts	8,112,063,316	+66,348,175
rents, equipment and other fees	445,457,845	-820,598
notes	8,406,707	-6,025,280
cash	224,434	+10,889
	<u>9,604,682,955</u>	<u>+91,890,422</u>
ASSET DEPARTMENT		
liabilities		
notes in circulation	17,574,691,203	+198,025,280
notes in Banking Department	5,066,707	-6,025,280
	<u>17,580,000,000</u>	<u>+180,000,000</u>
assets		
	<u>17,580,000,000</u>	

Government debt		securities		Other Government securities		Private Securities	
				7,092,299,032		+162,968,048	
				10,478,888,988		+720,195	
				17,580,000,000		+180,000,000	

LONDON RECENT ISSUES: EQUITIES											
	Yield	Am't	Mid.	1983	Close						
			price	High	Low	Stock	price	%	div.	div.	P/E
			(p/m)					of		yield	ratio
- F.P.	46.3	84	68	Abnvest Emrg Econ	50 1/2	+12	-	-	-	-	-
- F.P.	52.2	83	68	Ad Warranta	32	-	-	-	-	-	-
- F.P.	28.2	102	92	Abnvest Lloyds	34	-	-	-	-	-	-
100	F.P.	258.1	99	178	Albion	183	31	WMS.1	2.2	4.0	14.4
100	F.P.	30.6	101	90	Amicable Sav'g Smt	101	-	-	-	-	-
100	F.P.	4.3	94	82	Acquash	47	-	-	-	-	-
- F.P.	5.4	80	80	Ad Warranta	40	-	-	-	-	-	-
230	F.P.	17.0	281	230	Adan	261	44	L3.0	2.8	1.4	31.1
110	F.P.	49.4	57	53	BTR Warranta Titles	47	-	-	-	-	-
110	F.P.	58.0	121	109	Edgemoine	114	184	P.1	2.1	4.5	19.5
138	F.P.	44.7	151	139	Boyces Int.	145	-	-	-	-	-
100	F.P.	110.0	102	98	CLIA Int.	101	-	-	-	-	-
100	F.P.	11.2	126	116	CLIA Int. Cont.	108	-	-	-	-	-
100	F.P.	29.3	110	96	Charles Sidney	107	-	-	-	-	-
106	F.P.	14.1	114	102	Cleveland Tit.	112	-	-	-	-	-

200	F.P.	8.2	330	10	Cos Cow Inc				
100	F.P.	20.0	283	20	Shawmut	265		16.4	2.1
100	F.P.	49.9	92	90	Delian Loydie Ltd	98	-	-	-
1	F.P.	5.3	2	1 1/4	Rembrandt Energy 2				
180	F.P.	82.3	138	175	Fernschuler	178		W7.2	1.5
100	F.P.	11.0	101	101	Shawmut	100			
100	F.P.	12.0	81	100	F & C Em Mts Wns	80			
100	F.P.	10.0	100	100	F & C Cos Smaller	100			
168	F.P.	37.8	18	186	Germans	186		W4.0	2.0
100	F.P.	305	103	103	Growth High Inc	103			
100	F.P.	0.2	11		Shawmut	11			
100	F.P.	65.5	100	88	MCOS Logistics Ltd	252			
100	F.P.	32.4	111	101	Hazard Select Inc	108	-3		
250	F.P.	10.2	258	258	Nashville	258		W6.0	2.2
100	F.P.	13.8	138	138	Shawmut	138		u2.9	1.2
100	F.P.	103.6	105	100	Johnson Pyl Inc	282		1.7	25.3
100	F.P.	48.9	104	102	De Zoro Dnt Pnt	103 1/2			
135	F.P.	29.3	128	123	Ulliput	126		W4.5	2.1
100	F.P.	12.0	100	100	Shawmut	100		W5.2	2.0
100	F.P.	288.0	107	99	London Intec Mts	107	-2		
100	F.P.	41.5	100	94 1/2	Methead Inc	103			
100	F.P.	25.5	100	100	Morgan Grenfell C	101			
100	F.P.	51.6	97	92	New London Cap	97			
100	F.P.	8.0	100	100	Shawmut	110	-2		
230	F.P.	96.5	253	233	Shawmut	247	-2	W11.9	5.0
100	F.P.	113.3	213	193	Peyot Resou Inc	206	-1	H6.8	4.0

100	F.P.	79.8	157	159	Robinson	85	-2	18.4	1.9	4.1	16.7
135	F.P.	25.3	141	141	Shawnee Co's Tea C	141					
100	F.P.	NAES	85	82	Syndicate Cap.	97					
	- F.P.	1.6	34	23	Du Warrants	33					
100	F.P.	61.2	108	102	Thru Prd Inc	102					
150	F.P.	29.0	186	183	Tecny Low	180					
	- F.P.	24.4	111	101	Uganda Ind	102					
100	F.P.	19.2	96	93	Wigmore Prop.	95					
	- F.P.	1.6	61	28	Du Warrants	40					

Investment, 5¢ Floating price, F.P. Fully-paid security. For an explanation of other notations, please refer to the Guide to the London Stock Service.

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P/E										P/E										P/E									
Ratio										Ratio										Ratio									
Stock	Div.	Yld.	High	Low	Last	Chg.	Vol.	Open	Close	Stock	Div.	Yld.	High	Low	Last	Chg.	Vol.	Open	Close	Stock	Div.	Yld.	High	Low	Last	Chg.	Vol.	Open	Close
ABC Inds	0.02	58	125	122	125	+	10	125	125	Daugherty	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
ABC Inds	0.02	58	125	122	125	+	10	125	125	DeShazo	0.02	137	253	253	253	+	10	253	253	Freeman	0.12	14	14	14	14	14	14	14	14
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[illegible]

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

[illegible]

FT GUIDE TO THE WEEK

6

MONDAY

The Gatt deadline nears

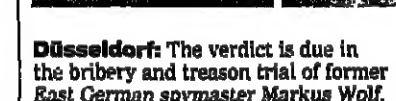
European Union foreign ministers begin two days of talks in Brussels, likely to be dominated by the Gatt Uruguay round. Outstanding disagreements between the EU and the US - particularly the French position on farm trade - are one of the main obstacles to a successful conclusion. Sir Leon Brittan, chief EU trade negotiator, and Mickey Kantor, US trade representative, will be trying to clinch an outline deal to be submitted to the foreign ministers, and then presented to the Gatt negotiators in Geneva on Tuesday.

Meanwhile, EU research ministers resume debate on the 1994-98 research and development programme. In Luxembourg in October, nine states backed the European Commission's proposed five-year budget of Ecu13.1bn. The Union's biggest paymasters - Britain, France and Germany - were unhappy.

Italy privatised: Investors will get their first chance to buy into Credito Italiano, Italy's seventh biggest bank, which is leading the country's ambitious privatisation programme. About 840m ordinary shares will be on offer at 2,075 lire each. Almost all the 97 per cent stake held by the IRI state holding company is to be sold.

Israeli-PLO talks are due to resume in Egypt in an effort to meet the December 13 target date for a first-stage agreement. Yasser Arafat, PLO chairman, is expected to visit Amman on Monday for talks with King Hussein of Jordan and Warren Christopher, US secretary of state, who is touring the region. Arafat will travel on to Germany tomorrow, where he visits until Wednesday.

Negotiations are getting bogged down and resistance is building both among militant Palestinians and hardline Israeli settlers. The peace process, initiated by the historic deal signed by Israeli Prime Minister Yitzhak Rabin and Arafat in Washington in September (below) is in danger of missing next week's deadline for a preliminary agreement.



Düsseldorf: The verdict is due in the bribery and treason trial of former East German spy master Markus Wolf.

Euro Disney: The troubled leisure group based outside Paris, begins talks with creditors on an emergency restructuring. The banks, which last week formed an official steering committee to conduct their side of the negotiations, also plan to meet Walt Disney, Euro Disney's powerful US parent.

Brent Walker: Today is the deadline for plans to renege the troubled UK leisure and gaming group.

London meat-packers: Smithfield meat market traders could make a breakthrough in elections to the general council of the City of London, one of Britain's oldest local councils. They are in a rent dispute with the Corporation of London and have put up candidates in 10 of the 35 wards.

7

TUESDAY

Japan stimulates again

The fourth economic stimulus package this year is scheduled for today. However, it was cast into doubt over the weekend, when members of the seven-party governing coalition indicated it was being postponed because of the government's heavy workload. It was to have included large income and other tax cuts, a further reduction in bureaucratic controls, lower taxes on land sales and measures to stimulate the stock market.

South African blacks will be given a role in government for the first time. The 21-party Transitional Executive Council, a super-cabinet including all parties to the constitutional negotiations, meets for its opening session in Cape Town. Its task is to make sure the first all-race elections, slated for April 27 1994, will be free and fair.



This week, the final all-white parliament is due to begin debate in Cape Town on the post-apartheid constitution, agreed last month. Meanwhile, negotiations continue with rightwing parties, aimed at ensuring their acceptance of the new constitution. Extremist Afrikaner leader, Eugene Terre-Blanche (above), has told his supporters: "Now is the time to attack".

German economy: Third-quarter gross domestic product figures for the west of the country are expected to show a modest increase. The market consensus is a quarterly rise of 0.3 per cent.

Pay settlers: The first round in wage negotiations for Germany's 4m engineering workers opens in both North Rhine-Westphalia and Bavaria. IG Metall, the engineering union, wants rises of between 5.5 and 6 per cent. The employers are insisting on cost-cutting and no pay increase.

It is the most important wage round for German industry, as it gives the lead to everyone else.

Unicef: the European employers federation, launches its competitiveness study ahead of Friday's summit. It is designed as a business counterweight to the Delors White Paper.

Telecoms alliance: France Telecom and Deutsche Telekom, the French and German state telecommunications operators, will announce plans for wider co-operation. It could mark a significant step in the emergence of international "telecommunications super-carriers".

Westminster: The treasury and civil service select committee hears evidence from Treasury officials.

Share talking shop: The FT-SE Actuaries Classification Committee holds a seminar on changes in the classification of UK equities at the Financial Times. Contact Liz Leech of the FT: 071 873 3239 (fax 071 873 4810).

How was it for U? The European Union (EU) publishes a survey of whether citizens of the spanning new union feel more "European" now the Maastricht treaty has come into force.

Playing the blues: The annual rugby union match between England's ancient universities of Oxford (dark blue) and Cambridge (light blue) takes place at London's Twickenham ground.

8

WEDNESDAY

Yeltsin drops in for dinner



Russian President Boris Yeltsin (left) is due in Brussels for an EU-Russia summit. He will dine with EU heads of government on Thursday. Yeltsin has hinted he might delay the visit because talks on a co-operation agreement are not complete. However, diplomats in Brussels are confident he will want to be fitted in western Europe ahead of Sunday's Russian parliamentary elections.

French economy: Gross domestic product figures for the third quarter may mark the technical end to the recession with an expected 0.4 per cent rise from the previous quarter.

Czech in: Registration by citizens for voucher books in the republic's second wave of mass voucher privatisation closes today. Shares in up to 770 companies with a book value of CZK145bn (\$5bn) will be for sale.

Voucher book holders have until February 15 to decide whether to place their books with investment funds or bid for shares directly.

Government bonds: In its last gilts auction this year, the UK government will sell £2bn of 6.75 per cent gilts due 2004, which will become next year's 10-year benchmark. The Bank of England has issued £40bn of gilts towards this year's estimated £50bn Public Sector Borrowing Requirement. Some £7bn of funding remains to be completed this financial year.

Meanwhile, the German government will reopen its 6 per cent bonds due 2016 - the first time in nearly eight years that Germany has issued bonds with a maturity of more than 10 years. The paper will be sold at a US-style auction via the Bundesbank.

Scott inquiry:



Baroness Thatcher, the former prime minister, is due to appear at the Scott Inquiry on arms-related exports to Iraq. Lady Thatcher (left) is to be questioned on what she and her Government knew about banned exports to Iraq prior to the Gulf war.

Open all hours: British MPs, who invented the weekend in the 19th century, may hasten its demise in their free vote on the Sunday Trading Bill to liberalise shop hours.

Mikhail Gorbachev, on a visit to Britain, attends a banquet in his honour at London's Guildhall, where he will receive the Winston Churchill Award for his contribution to peace in the Middle East.

Eastward ho! Work starts on the £1.9bn eastward extension of London Underground's Jubilee Line to link the West End with the Canary Wharf office complex in Docklands. The 10-mile project is the first significant new underground line in London for a generation.

Football: Second round of European Cup Champions' League matches.

9

THURSDAY

Nikkei in the balance

Today is the expiration date for December stock futures and options. They have been an important factor in the market's recent turbulence. Tomorrow is settlement day. Investors have been unwinding their positions, because the benchmarks for the Tokyo stock market are expected to change from the Nikkei 225 to the Nikkei 300 index early next year.

The market will also be nervous ahead of the influential Tankan quarterly survey of business conditions, to be released by the Bank of Japan tomorrow. With fears about the strength of the Japanese economy growing, many analysts are expecting the survey to reveal a sharp drop in confidence, adding to pressure on the Bank for a further interest rate cut.

Nato defence ministers meet in Brussels to prepare for their January summit (to Dec 10).

US economy: The producer prices index for November, released today, should deliver more good inflation news. In October, the PPI fell 0.3 per cent. Since then, it is likely to have benefited from falling energy commodity prices.

Westminster: The treasury and civil service select committee hears evidence from Eddie George, governor of the Bank of England.

Israel's Histadrut Labour movement plans an indefinite general strike in protest at the government's privatisation policy, growing poverty among lower-income workers and unemployment. Up to 100,000 workers in 30 government enterprises are expected to take part.

UK unions go into Europe: The Trades Union Congress, the umbrella for British organised labour, opens an office in Brussels.

Paramount bid: QVC Network's hostile bid for Paramount Communications expires at midnight eastern standard time. Earlier in the day, the Delaware supreme court hears an appeal by Paramount against a lower court ruling. This blocked a friendly \$9.5bn takeover of Paramount by Viacom.

The lower court said that the Paramount board was wrong in not seriously considering QVC's \$10.5bn offer and in negotiating a "lock-up" agreement with Viacom which financially penalised rival bidders.

Trieste: Opening of the Mediterranean Conference on Transport which groups ministers from some 40 countries (until Dec 10).

Vases under the hammer: Sotheby's in London auctions 64 ancient Greek vases from the Hirschmann Collection.

Lighting up time:

The Jewish holiday of Hanukkah, the festival of lights, begins (to Dec 16), in London's Trafalgar Square (left), the Christmas tree is due to be illuminated. One has been presented each year since 1947 by the people of Norway in gratitude for British support during the second world war. Meanwhile, in Washington, US president Bill Clinton switches on the lights of the national Christmas tree.



In Brussels on Monday: Leon Brittan and Mickey Kantor discuss the Gatt round

10

FRIDAY

European Union summit

The European Council begins a two-day summit under the chairmanship of the Belgian presidency. It will consider Commission president Jacques Delors' white paper on measures to tackle European unemployment. The Commission and Belgium are likely to push for more common action to tackle the crisis, including calls for more spending on roads, railways and telecommunications.

Leaders are likely to steer off the Gatt negotiations, but they will discuss the war in former Yugoslavia, assistance to the occupied territories in Israel, Russia's elections, and hitches in the enlargement talks with Austria, Norway, Sweden and Finland.

Belgian trade unions plan a general strike to coincide with the summit.

Italian strike call: Engineering unions have called out 400,000 workers for a one-day strike in protest at growing unemployment, now close to 11 per cent.

UN human rights day coincides with the Nobel prize ceremonies. In Oslo, South Africa's Nelson Mandela and F.W. de Klerk are due to receive the joint peace prize. Stockholm hosts the ceremony for physics, chemistry, medicine, literature and economics.

EU zinc producers meet in Brussels to consider details of a smelter "shut-down" agreement. The aim is to eliminate over-capacity in Europe by closing one or two smelters, with the industry as a whole sharing the cost.

Tunnel handovers: TML, the consortium which has built the Channel tunnel, hands it over to Eurotunnel after six years' work. Eurotunnel will operate freight services through the 31-mile long tunnel from March and passenger services from May.

11-12

WEEKEND

Russians go to the polls

Voting takes place on Sunday for the country's first parliament to be elected on a full and fair adult suffrage. There are 178 seats to fill in the upper house, or Federation Council and 450 in the lower house, or State Duma - and 13 parties to choose from.

The liberal Choice of Russia party has been leading in opinion polls, but far-left and right parties are picking up momentum.

Voters must also cast a "yes/no" vote in a referendum on a draft constitution. If passed, it will usher in a strong presidential regime.

Chile chooses a president: The result of Saturday's poll seems a foregone conclusion: a victory for Eduardo Frei, son of a Chilean president of the 1960s, is expected easily to poll more than half the vote and so avoid a run-off in February.

Other elections on Sunday: Andorra and the self-proclaimed Turkish Republic of North Cyprus are holding general elections. The Portuguese have local government elections.

Aide in Africa: The eighth international conference opens in Marrakech, Morocco (to Dec 16).

NEXT WEEK

Mon 13: Due date for start of withdrawal of Israeli troops from the Gaza strip and Jericho area of the West Bank.

Wed 15: Gatt deadline, the expiration of US president Bill Clinton's fast-track authority - which enables him to put a deal to Congress on a straight yes-or-no basis.

Compiled by Patrick Stiles.
Fax: (+44) (0)171 873 3154.

Statistics to be released this week

Country	Economic Statistic	Day Released	Previous Actual	Median Forecast
UK	Oct consumer credit	Mon 6	£488m	£500m
	Sept trade balance - global	Fri 10	-£0.4bn	-£0.8bn
US	Oct consumer credit	Tues 7	\$6.7bn	\$5bn
	Oct wholesale trade	Wed 8	0.6%	-
	Nov producer prices index	Thur 9	-0.2%	+0.1%
	Nov PPI (ex-food & energy)	Thur 9	-0.5%	+0.2%
	Money supply data w/e Nov 29	Thur 9	-	-
Germany	Third qtr GDP (West) qtr-on-qtr	Tues 7	0.6%	0.3%
France	Aug current account	Mon 6	FF18.0bn	-
	Sept trade balance	Fri 10	FF2.5bn	FF15bn
	Nov CPI (prelim) (month-on-month)	Fri 10	0.2%	0.1%

Country	Economic Statistic	Day Released	Previous Actual	Median Forecast
France	Nov CPI (prelim) (year-on-year)	Fri 10	2.2%	2.2%
Japan	Third qtr GDP	-	-1.8%	-2.7%
	1993 Tankan - capital spending	-	-5.9%	-6.5%
	Tanken - manufacturing	-	-51	-55
	Tanken - non-manufacturing	-	-41	-44
Germany	Nov COL - final (month-on-month)	-	0.2%	-
	Nov COL - final (year-on-year)	-	3.9%	-
	Oct retail sales (real) (year-on-year)	-	-1.7%	-1.6%
Spain	Nov unemployment - registrations	-	17.2%	17.5%

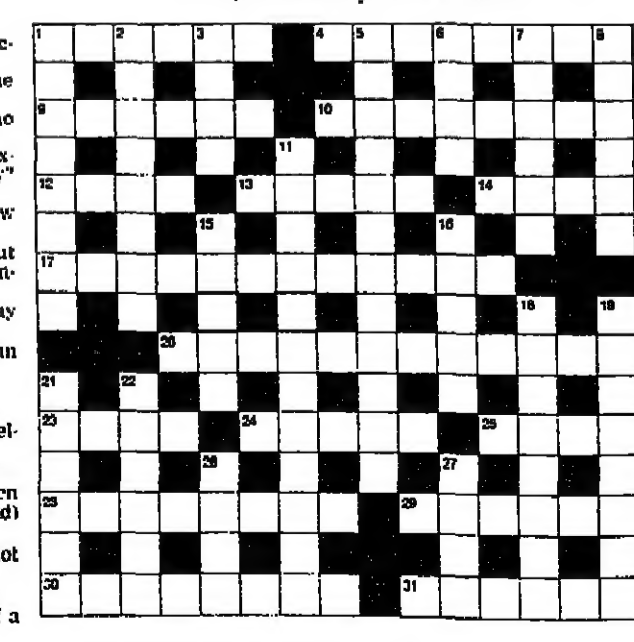
Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

No.8,324 Set by DINMUTZ

- ACROSS**
- Plagued thing disappeared - copper is brought in (6)
 - Pair with ring, discovered to be intense (8)
 - Almost noon - too soon? (6)
 - Check first of secret information (4,1)
 - Like volcanic particles in an experiment? (1)
 - Sponsorship of soldier in choppy sea (5)
 - Stock-check? (4)
 - One interested in gems in Rio de Janeiro (12)
 - Fare reduced drastically in 1973 (13)
 - Extra - umpire's call? (4)
 - One-step at full speed (5)
 - No longer known in the county (4)
 - W.E. Thomas upset? Rather! (8)
 - Come around about eleven in the country (6)
 - Chap released, say, with sea-creatures? (8)
 - The head might benefit from this creamy dessert (6)

- DOWN**
- Tiller girls, often, in the second row? (4,1)
 - Firm longing for some training (8)
 - Society character who appears in court (4)
 - Wheeled vehicles of extremely wealthy family? (7,5)
 - Bird beginning to fly low perhaps (1)
 - Low craft, turning about approaching Severn opening? (11,3)
 - Hard worker needs Monday off? (6)
 - Letting the silver go is an event, of course (7,5)
 - Hearing trouble (5)
 - A can on the move? (5)
 - Decade of Einstein's development (8)
 - Opening on the board? (8)
 - One plays dead (even when given oxygen to the head) (6)
 - The old sign of those not quite gentlemen? (6)
 - Ninecompoo to blame? (4)
 - Maximum temperature of a freezer, obviously (4)



A prize of a Polka New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £25 Polka vouchers will be awarded. Solutions to Thursday December 16, marked Monday Crossword 8,324 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HT. Solution on Monday December 20.

Name: _____
Address: _____

Winners 8,312

R.C.S. Wood, Hinkley, Leics; Michael V. Cassar, Malta; F.W. Newton, Epsom, Surrey; R.K. O'Keefe, London NW9; Dave Parsons, Cymced, Cardiff; Mrs V. Vallance, Cowley, Oxfordshire, Middlesex.

Solution 8,312

REACTIONARY DIP
H R U M N O R A
A N G E L I N G U R I O U S
P U I T I V E S
S E M A P H O R E S C E N E
O E U N W R O
D E N I A L S T R I D
Y M R O P
F I R M A N E M O N E
G Y T A B N A
A S H E S R E S T R A I N T
O T O U S U
E M O T I O N A L H I S T O R Y
R E F E Y N O E
A N Y F I R E E N G I N E S

"The secret to a long life
is to stay busy,
get plenty of exercise and
don't drink too much.
Then again, don't drink
too little."

BERNARD F. QUIGLEY,
101-YEAR-OLD CALIFORNIAN



INTRODUCE SOME CALIFORNIAN INTO
THE CONVERSATION.

E&J

SINGLE CASK MATURED BRANDY.

مكتبة الامم